

POINTS OF DIFFERENCE: A Study of Henry George's Critics

By Richard Lawrence Giles

"I have already read Henry George's great book and really learnt a great deal from it ... Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice". ALBERT EINSTEIN, 1934

"People do not argue with the teaching of [Henry] George, they simply do not know it. And it is impossible to do otherwise with his teaching, for he who becomes acquainted with it cannot but agree". LEO TOLSTOY, 1905

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*For Ron and Joffré and to Faye for the sacrifice
and assistance that made this little book possible.*

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PREFACE

Corruptio optimi pessima est

This work is primarily an analysis of libertarian critics of Henry George and of the geo-libertarians who appraise them in *Critics of Henry George: An Appraisal of Their Strictures in The American Journal of Economics and Sociology Supplements of 2003 and 2004*.

As one appraiser put it writing about the libertarian Murray Rothbard “we will not here be dealing strictly with Rothbard’s disagreements with George, but with his disagreements with the views of the present author and others ... who consider themselves to be ‘geo-libertarians’ ...” (p.455).

He adds, lest Georgists might think this involved some “slight deviation” from George’s teaching, he adds that these views are upheld by writers whom Georgists would recognise as authorities on Henry George (pp.455-6)).

By discussion of these geo-libertarian views my aim is to show that this new teaching is anything but a slight deviation from “traditional Georgism”.

Though he is not a geo-libertarian I have examined the view of George Raymond Geiger that natural law and natural rights do not exist, since it somewhat anticipates their views. Finally I have given an appraisal of George’s economics by Alfred Marshall. It may in a little way show the way George was and now is treated by neo-classical economists.

Notes:

1. I have used the term ‘single tax’ with apostrophes to signal that it really is not a tax. ‘Site revenue’ is a substitute but it is little known; it is very difficult to suggest both a more accessible or more recognisable term for George’s fiscal reform than the ‘single tax’.
2. Except where specifically mentioned page references are to the Supplements.
3. The detail of primary sources are usually listed after the text. Other references have been given full details where they are used.
4. Geo-libertarians are otherwise known as geoists.

PART I: 'TRADITIONAL' GEORGISM

It is neither possible nor necessary to set out George's teaching as a whole. What is needed is to repeat some vital parts of this teaching relevant to the criticisms circulating in the *Supplements*.

Georgism begins in justice with two ethical propositions proposed by Jefferson put to Isaac Tiffany in a letter in 1819:

"Of Liberty then I would say that, in the whole plenitude of its extent, it is unobstructed action according to our will. But rightful liberty is unobstructed action according to our will, within the limits drawn around us by the equal rights of others".

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Henry George applies these propositions to land. Thus, the individual has an inalienable or unobstructed right to use land, and though that right is necessarily limited to an equal right, within those limits, that liberty is unobstructed.

The second of these two rights does not exist in the institution of 'private property'; indeed, the right to private property in land is probably the most unequal right in societies today.

To reform this right does not require any economic argument. Simply take away the land value of every private landholder and each has the same land value, zero.

When the origin of this land value is considered it becomes clear that it is the accessibility to places and services one wants. One lady put it quite unconsciously when she said "We have a lovely home; it is so close to everything we want". She meant, of course, the location of the home. What did she want? These are probably more than we could enumerate. The value of land lies in wanting them. Notice that land is a 'given' in Georgism.

Surprisingly, sites we think of as valuable in themselves are really only valuable in relation to their circumstances of time

and place. We commonly think that sites overlooking the water to be valuable but until recently in one coastal town such views were not sought after. This was due to the sea air rusting away metal window frames and car bodies. When in the Second World War Sydney was threatened by Japanese submarines, harbour side properties fell in value, and a contingency plan to abandon northern Australia to the 'Brisbane Line', left property prices in the affluent Gold Coast at almost nothing! And what else is the risk adopted by a developer other than that the capital he provides will not be wanted?

Land value results from competition for some point from where what is desired can be utilised. We say that a plot of land has value but in reality it only *appears* to have value. That land is a 'social product' is the third of the four ethical propositions that lay the foundation for 'traditional' Georgism.

The Ricardian 'law of rent' shows that the differing market values were set by the point at which the services are marginal. It shows that the same application of labour and capital do not produce the same product. There is a surplus product that is unearned. Earnings are set at the margin. The marginal advantages may be considerable but intra-marginal sites have an excess. At the marginal point the land is rent-less.

Land is a gift to humankind and, as a gift, it cannot be owned. There can only be use on equal terms. That is the fourth and last of the ethical propositions. From this is deduced the propositions that, being unproduced, land has no market value and, thus, that (market) value springs from labour.

Since it was a surplus to wages and interest, all that was needed was a public policy to convert the contract price of this surplus product or rent into a public revenue to serve the community's needs. Indeed, its source was either the differential presence and activities of the community or the differential presence of nature.

The four ethical propositions are quite consistent with each other and, in fact, their truth is validated by the natural law of rent. Rent occurs without any special effort by either

land holders or producers. The public policy to give practical expression to these propositions was the 'single tax'.

To my knowledge no critic has ever challenged the seminal proposition, the right to use land. A typical way in which a critic avoids this principle, is given in *Land and Taxation: A Conversation Between David Dudley Field and Henry George*. * Field, whose questions to George indicate that his interest is to protect private property in land, is finally drawn to the question of the poor.

Field speaks first of the duty of charity to the poor. A little later Field alters this to "sympathy leading to help". George says

"Then I cordially agree with you, and I look upon such sympathy as the most powerful agency for social improvement. But sympathy is little better than mockery until it is willing to do justice, and justice requires that all men shall be placed upon an equality so far as natural opportunities are concerned."

What is noticeable is that Field does not ask George to elaborate about how to make these "natural opportunities" equal or what the results might be. Instead, he invents an example to serve as an obstacle. He asks how this equality could be secured for children between two sets of parents. One child is born of "wasteful, intemperate, filthy" parents (lower class), the other is born to "thrifty, temperate, cleanly" parents (middle class). Danger averted.

Thus, critics commonly divert discussion from theoretical to 'practical' issues, for example, a plethora of questions surrounding the application of the 'single tax'. In this way they set aside the enormous practical and ethical problems of the current fiscal system.

The theoretical benefits claimed for the 'single tax' are not often disputed. After all, a public revenue that reduces land price to an annual rental charge for location, that rolls up taxes and land rents into one payment, that eliminates the discouraging effects of the taxation of labour and capital, that reduces mortgages, that practically eliminates 'tax avoidance' and the costs of compliance with taxation is not an argument easy to deal with. However, it is sometimes tried.

*<http://moses.law.umn.edu/darrow/documents/George%20and%20Field.pdf>

Moreover, by giving the equal right of access to land, George reasoned that it led to a more efficient land market where land was cheaper and more available. The effect of this was to give an equal bargaining right to those working on the land of others. In other words, the right working of the land market would answer the rights of those who were employed. More efficient production came with a fairer distribution of wealth. Efficiency came without trade-offs!

Had this reform involved a trade-off (some sacrifice of one thing in favour of another) the argument would have been based on the common good. George rarely talks of the common good. Had the reform been an appeal upon the 'moral' argument that, by pursuing the interests of others, we ourselves will get benefits, it would only have been an argument from "enlightened self-interest". Some Georgists use that argument but it is not to my knowledge one used by George himself. George's argument is very simple: in any social situation involving some common purpose find the rules that will equalise relationships in that situation. It is nothing more than Jefferson's advice to Isaac Tiffany.

We have to be careful about what is meant by the equal right to land. Its meaning is simple. It is a right to have access to land under the same set of rules, rules which preserve as far as possible an unobstructed use. The rules vary with the common purpose. Road rules are not the same as rules that govern the use of the facilities of a club for example. We notice that the rules govern access to land not its use.

The rule called the 'single tax' was an adjustment to private property in land. But more deeply perceived it was a rule to govern the interplay of individual interests so well described by Adam Smith's *'invisible hand'*. It was an adjustment to preserve capitalism. Karl Marx saw this but it is strange that so many critics of George saw it as an attack on capitalism!

Their defence of *laissez-faire capitalism* is not a defence of capitalism; it is a defence of private property in land. It is suggested that the object of the geo-libertarian movement is to find some acceptable compromise with the libertarian form of this defence of 'private property'.

Another defence against George's teaching is to call into question his ability as an economist, his understanding of economics. This line of defence can be taken to a point close to ridicule. Professor Edwin Seligman in 1890 at the Meeting of the American Social Science Conference referring to George said that he was one of those would-be, uneducated people who, having derived his ideas of finance from the daily papers and "one or two books with lopsided ideas, thinks he is a fully-fledged scientist, able to instruct the closest student of the markets or of the political and social organisms" *

This kind of dismissive treatment did more than any argument could do. George could be ignored. One sees some evidence of this in the chapter on Alfred Marshall.

*Qu. p.40, Henry George, *Collected Journalistic Writings*, Vol. III, The Later Years 1890-1897. .

PART II: THE CRITICS

CHAPTER 1: MURRAY N. ROTHBARD

Murray Rothbard (1926-1995) is well-known for his libertarian ideas, prompted in the first place by a fear of the rapid spread of European dictatorships after the First World War and enlarging government coercive powers during the Roosevelt New Deal. His is a defence of laissez-faire capitalism. One of his ideas goes further. Laissez-faire capitalism might do without government altogether. This has been called *anarcho-capitalism* where all the functions of government might be handled by private contractual arrangements. In 1982 he helped to found the Mises Institute in Alabama. For his anti-Georgist stance Rothbard largely drew upon the ideas of Spencer Heath and Frank Knight. The chapter in the Supplements is Ch. 31 called *Reckoning With Rothbard* and is by Harold Kyriazi. Since we shall meet Knight and Heath later, often with the very same arguments, here we might in the main merely make clear Rothbard's arguments. To present these arguments I have chosen to summarise Rothbard's *The Single Tax: Economic and Moral Implications* (1957) produced by the Mises Institute. Here the arguments are presented by Rothbard in a very readable form. <https://mises.org/library/single-tax-economic-and-moral-implications>

'The 'Single Tax': Economic and Moral Implications'

Rothbard had some sympathy for the object of Georgism, freedom, but *The Single Tax: Economic and Moral Implications* has fourteen pages, almost all critical of the 'single tax'. Notable omissions are any attempt to make a more fundamental attack either on the ethical basis of the 'single tax' or on the Ricardian

theory of rent, omissions signalled in the title. Instead, the criticisms go forward to the economic and moral *implications* of the ‘single tax’.*

Argument 1: The ‘Single Tax’ is Land Nationalisation

“[S]ingle taxers would levy a 100 percent tax on the annual land rent – the annual income from the site – which amounts to the same thing as outright nationalisation”, (p.1, author’s emphasis).

This argument is given as an aside while setting out what the ‘single tax’ is all about. Sometimes this argument is given by others and even by Rothbard himself as “virtual nationalisation”. This is an important criticism and will be dealt with in detail later.

Argument 2: Progress Comes from Investment

“As population increases and civilisation develops, land values, especially urban site values increase ...” (p.1) is what the Georgists claim. But, instead of civilisation being the cause of increases in land values, it is because “savings are invested in capital goods” (p.3).

This argument would be stronger if Rothbard himself had not also said (p.9) that “The incomes both of labourers and landowners increase as civilisation expands”.

To confine the idea of progress to the growth of savings is a very narrow way of summarising the last four or five centuries of economic history. It would ignore the natural propensities of Man to produce, invent and trade and his overriding propensity to co-operate. Civilisation and its allied co-operation receive considerable attention in *The Science of Political Economy*.

Yet, while seemingly a small point it aids Rothbard’s argument. If land values are to be created by landowners, ownership must originate in capital. We shall see that geo-libertarians try to re-establish this landowners’ claim in a modified form.

Argument 3: The Impossibility of Assessment

Without the landowner’s service in allocating land to its best market use “assessment is purely an arbitrary act” (p.4).

And

*All page references in this chapter, unless otherwise shown, belong to *The Single Tax: Economic and Moral Implications*.

“In the case of agricultural land ... it is clear that you cannot in practice separate the value of the original ground from the value of the cleared, prepared, and tilled soil” (ibid.).

The latter argument is also applied to urban land.

There are two arguments here. First, only the ‘allocating’ landowner can value property. Second, any attempt to disentangle the value of improvement from the value of the site will fail. It seems to me that both arguments have the same answer.

The task of the valuer is not to value both site and improvements but only the site from its environment of private market transactions, and so this does not seem an unsurmountable point. Property prices should look after themselves. They are set by the highest bidder. Most often when landowners refuse this bid it is against the advice of the real estate agent and likely to be an arbitrary decision.

At the time of the transfer of property and at annual assessments the landowner could submit the value of improvements. That assessment may bring the landowner into conflict with the appraiser of the land, especially initially. Insurance records would be of assistance here in any arbitration. Henry George considered that, if allowance had to be made, it should be made in favour of the landholder. He also theorised that if public opinion shifted in favour of the ‘single tax’, the capital price of land would increasingly approach its annual location value. If this were only collected at intervals after taking possession, there might initially be only a price for improvements.

In any case, answers to questions like this come when they are needed, and no human institution is perfect – just observe our present system of taxation!

However the argument that there can be no property price to begin with without a landowner to give it is one is crucial to Rothbard who believes private property in land is vital to the preservation of freedom. He forecasts a string of chaotic and sometimes fantastic consequences for the ‘single tax’ because, to him, no owner means no land value. The worst stage is land nationalisation; “it is a jump from the frying pan into the fire” (p.8).

But these consequences all rest on one premise: that the landowner is indispensable to the preservation of a free market in land. It is a point to which Rothbard and others constantly come back. The argument above suggests it has no foundation.

Arbitrary Valuations

Rothbard has one very important point, however. Arbitrary valuations will drive people out of business. This warning does not only apply to the 'single tax'. One frequently hears stories of tenants pushed to the limit and beyond by high rents – sometimes the landowner is so rich he just does not care.*

Argument 4: Rent would not be Collected

In other words, "... private owners would still have no incentive to manage and allocate their sites efficiently" (p.7).

Would the landowner be interested to negotiate and collect the annual rent if he did not own the site? An owner who took only the value of the improvements and asked nothing for its rent would have to know that his neighbours were doing the same thing. Considering, too, that real estate agents deal with most transfers of property, that is a most unlikely scenario. Another threat might be that the state's assessment might take some of the owner's value of improvements.

While the landowner might well undertake its collection, that annual fee could be paid at intervals during the year to the local council just as rates are collected or paid 'online'. Henry George in *Progress and Poverty* (p.405) recommended that landlords be remunerated for the labour in collecting this land rent and passing it on to the government. It is not in itself an arduous task especially with online banking. The annual site price for any piece of land might then be made available to anyone who wanted to know.

Argument 5: Landowners Perform Services

"The owner of land does perform a very valuable productive service" (p5).

*Some two years ago in Sydney one old couple found it too troublesome to 'allocate' land! Their land, worth over \$90 m., was on the edge of the CBD and it was left vacant!

The landowner brings sites into use and he allocates a value that leads to its most efficient use.

Yet this is not the only aspect of the landowner's allocative services. The "maligned speculator ... performs an important service" (p.8). He has "the difficult job of deciding when to commit the site to a specific use" (ibid.).

Rothbard had stumbled a little earlier when he had raised the subject of idle land, which he realises is a major weapon in the Georgist arsenal. On p.4 he had argued that there was nothing wrong with idle land. That there was too much land was a thing to be thankful for. Land was idle only because there is no labour to use it. But this argument at best can only apply to marginal land. Then there is "[i]dle land by itself cannot benefit [the speculator]". These are not very substantial arguments. Now on p.8 we find that the speculator is leaving land idle only because he is uncertain of what its best use will be.

Why do not Georgists recognise these allocative services? It is because, Rothbard argues, the Smith-Ricardo doctrine only recognises goods (p.8). That is an interesting observation. It is a problem that George tries to deal with in *The Science of Political Economy* (pp.324-5) when he says that services produce "utilities and satisfactions" (p.325).

Herbert Spencer adds a different approach to these allocative services, and we shall find it among the geo-libertarians it has a great deal of appeal. We can leave it for the present.

Argument 6: Landowners Only Receive Ordinary Returns

"[We] all gain from an expanding market" (p.9). So why confiscate that part which goes to the landowner?

Rothbard now turns to a moral argument. Why should any of us be "confiscated and taxed out of this happiness in the fruits of advancement"? (ibid.) Rothbard had already argued that land values originate from the formation of capital. This implies that investment creates ownership of land. Concerning the ownership of rent, he had already argued that rent is a return for services rendered. But if investment gave land ownership, ownership that investment would automatically give the landowner its rent. There was no need for any further justification.

“As the supply of capital goods increases, land and labour become more scarce in relation to them, and therefore more productive” (p.9); that is, land and labour grow wealthier at the expense of capital. But still the landowner gains less than the labourer. The landowner’s “business” is subject to competition that minimises his return. (So there is much less competition in the labour market!) Any temporary increased return to the owner of capital soon draws in more investors “until the annual rate of return falls to the level of other lines of business” (ibid.).

Unfortunately Rothbard continues “A man who buys a site in mid-Manhattan will earn no more than any other business” (pp.9-10). This is because the returns to investment (rent) will almost generally bear the same relationship to its capital value. Even if that were so what is not considered is a second source of income, what is erroneously called ‘capital gain’.

A multitude of examples could be called upon to show that, in fact, returns from this second return to landowners are sometimes far from normal returns. One piece of anecdotal evidence: I know a friend who was given \$2.6m. for the family home by a developer, very probably far more than he had earned in his lifetime as a teacher. Two more examples will have to do. In Sydney one quite average “house” bought in 2000 for \$168,000 had in twenty years amazingly become worth \$980,000 despite its own depreciation. In 2017 thirteen residents near a new rail link gathered together and sold their land for \$58m. Other residents living across the street got nothing; their land was not zoned for development. “Luck” or “foresight” are often used to wipe away this kind of absurdity.

Finally, landowning is not a business “like any other”, that is, subject to competition, as Rothbard claims. In the absence of scarcity its value comes solely from its advantages. Competition does not produce more land. Amidst speculation the perverse tendency is for land to be taken off the market as prices rise, and competition does not bring prices down it. Artificial scarcity often sends them spiralling upwards.

Argument 7: The Earth Does not Belong to Everyone

Georgists say “all land belongs to society as a whole” (p.1). Instead, “it is given for the use of individual persons” (p.10).

Rothbard argues that the earth is God-given is acceptable but the inference that it thus belongs to society also means that things like health and talent, being God-given, also belong to society. Rothbard has a point and here he disagrees with geo-libertarians who do accept this proposition.

His attempt in a footnote, however, to argue it further does not work. Rothbard quotes with approval Benjamin Tucker's response to a minister who in 1893 asked what had given *value* to land, and was given as a response "The presence of population – the community" (p.14). Tucker asked what had given *value* to his preaching. It was the presence of population. Thus, it was the presence of population that gave *value* to his preaching. Morally, that *value* belonged to the community. But surely value is used here in two ways. In the second sense it means the intellectual and spiritual worth of what is said which in justice belongs to its producer.

Knight actually makes a similar argument. According to Tideman and Plassmann Knight regards all agents of production as capital. Thus, human beings called labour are a form of capital. As they point out Knight regards the human being as the result of investments in rearing, education, training etc.. But as they say (p.391) "past activity alone is not sufficient to answer ethical questions". It could be added that labour is not the human being it is exertion as George defines it. Thus it is the exertion that merits the earnings not the parents or the state.

Argument 8: The First User is the First Owner

"Now that his labour has been inextricably mixed with land, he cannot be deprived of one without being deprived of the other" (p.12).

This is the Rothbard's principle by which to justify private property in land. It is not new. In fact it is quite recognisably John Locke minus his caveat that there should be enough and as good land left for others. The caveat just about destroys the principle.

In 1891 Pope Leo XIII made the same argument for private property in land in his Encyclical *The Condition of Labour*. By

cultivation “the impress of [a man’s] own personality” (s.9) gives possession to land.

A mixture is some combination of materials. Labour is some finite energy. Does it energise the earth in some measurable way so that we know that we own it? If so how much of it does it effect? Is it a quarter-acre? Is it all the land a man can traverse in a day as in Tolstoy’s ironic story *How Much Land Does a Man Need?* Rothbard includes “even standing room” (p.11) in this ‘mixing’! Does that mean discovery means ownership?

In *The Condition of Labour* (Pt II) George addresses eight defences of ‘private property’ given by Leo XIII. He points out, for example, under this ‘mixing’ rule tenant farmers might claim ownership from their landlords!

For Rothbard, to deny the pioneer ownership of his land is to deny him ownership of what he has produced. That is, there must be private property before there can be secure ownership of any product from it.

But George does not advocate confiscating land. His dictum in *Progress and Poverty* is: “*It is not necessary to confiscate land; it is only necessary to confiscate rent*” (p.405, author’s emphasis). And George argues that if people wish to say it is *their* land there is no harm done (ibid.).

In any case, not to have ownership does not mean that one’s labour is lost. The whole leasehold system is necessarily built upon having a guarantee of ownership in what one produces. Even in a socialist state there exists this guarantee. It is only under communism that distribution is by the state.

Yet as George points out ‘private property’ does permit landowners to take some part of the earnings of others (p.38). This loss, of course, is compounded by the loss of earnings by taxation, taken in the absence of the ‘single tax’.

Tenants generally have no reason to see the underlying injustice. They have to pay rent. “And so, not thinking or not caring for the interests of the community, they make no objection to the system”. This attitude, George says, is illustrated by the fact that in New York a man took rents from tenants for years without owning the land. No one cared (p.40).

Rothbard throws in another argument at the end. Can anyone deny ownership of an 'economic land' like a horse to a man who has domesticated it and yet deny a man who 'tames' 'wild' land the right to own it (pp.12-3). Of course taming a wild animal does give private property in it. But as George argued to Pope Leo XIII tilling the soil does not imply ownership of the soil as catching a fish does not mean one owns the ocean.

Rothbard's argument may be traced back to his assertion that Georgists believe that the earth belongs to everyone. He writes, "They say, therefore, that appropriation of any land by an individual is immoral" (p.10). Yet what is at issue is merely the taking of its rent.

Two of Rothbard's arguments have special importance for Georgists. These are that *The 'Single Tax' Virtually Nationalises Land* and that *'Single Taxers' Believe that the Earth Belongs to Everyone*. These arguments also have a direct bearing on geo-libertarianism. For that reason they will be examined with *The Geo-Libertarians*.

CHAPTER 2: FRANK KNIGHT

Frank Knight was the redoubtable founder of the Chicago School of Economics whose successors have convinced Western governments of the virtues of turning public utilities and even sometimes government departments into privatised 'free market' activities.

One of Knight's contributions to economics relevant to this study is his 1924 article *Fallacies in the Interpretation of Social Cost*, in which he challenges Arthur Pigou's view that traffic congestion justified the taxation of roads. If roads were privately owned, wrote Knight, then the profits realised from roadway tolls would help reduce congestion and thereby make government intervention unnecessary. This insight remains part of the conventional economic wisdom and the idea is not lost on geo-libertarians.

Knight wrote often against social engineering such as price controls. Another target was the Austrian School and its theory of capital.

Knight had time for sometimes rather dismissive attacks on Georgism which are the subject of appraisal in Ch.27 called *Knight: Nemesis from the Chicago School*. The Chapter is written by Nicolaus Tideman and Florenz Plassmann.

Argument 1: Land is 'Produced'

Frank Knight spoke often of the land being 'produced'. For example:

"Viewing as a whole the historic process by which land is made available for productive employment, it must be said to be 'produced'; i.e. to have its utility conferred upon it in a way quite on a par with that which holds for any other exchangeable good" (Qu. p.385).

Some legitimate questions might be

- 'Made available for productive employment from what?'
- Why is there apostrophes about 'produced'? Is it produced or isn't it?
- How can Man 'confer utility', that is, give land something it has not got already as land?
- How can land be 'exchangeable' or does this really mean that *ownership of land* is exchangeable? And finally,
- What was land *before* it was 'produced'?

Knight is not thinking about how land itself is 'produced' but only about the steps in the process of developing its natural resources. This comes out clearly when he begins to explain the concept.

This production of land for Frank Knight is three *services*: exploration and selection of a site; gaining access to it; and development of its natural resource.

Knight is quite right production *is* the rendering of services. Yet if services produce land why is the end-result of this production something other than land?

George defines production quite differently in *The Science of Political Economy* as meaning "drawing forth of what before

exists” (p.317). What that is that already exists must be something other than production, something not produced. That of course is land.

If Knight’s definition is correct we must accept the definition given of a word by Humpty Dumpty in *Alice Through the Looking Glass*, who scornfully tells Alice that “a word ... means just what I choose it to mean”. Alice’s retort is not far off the mark. “The question is ... whether you *can* make words mean so many different things”.

But under Knight’s definition land can now be treated as any other good. It is produced by a series of services. Land is therefore legitimately property or capital. With the proposition that wherever there is land there has been service we have eliminated ‘unearned incomes’. And we have also eliminated the ‘single tax’ which collects ‘unearned incomes’. Land value itself is something produced, the result of services.

Tideman and Plassmann (p.386) come to a similar conclusion:

“The usefulness of Knight’s conception of land depends on the claim that the three cost categories of land production are equivalent to the three cost categories of capital production”(p.386).

Argument 2: Permission is a Cost

Knight talking of gaining access to land says it is “*the cost of buying off or killing or driving off previous claimants*” (Qu. p.384).

So: getting access to land in any modern society is all about buying permission to use it; that is, buying a service, being given permission. But, really, the bidder for land is not buying permission; the buyer is bidding for the land. Tideman and Plassmann actually say (p.387) that the individual buying the the land, may see it as paying for permission to use it. I do not think that to be the case. But, if so, that appearance would be part of what George calls the ‘individual economy’. It is the way the individual working within it sees the economy.

Tideman and Plassmann argue, however, that from “a social point of view” the money paid is simply to ensure that one person gets access to land and not another.

'Buying off' is 'buying into' a location. It was there that the value exists and that value was not produced by any particular service of the landowner. By using the term 'buying off' Knight cleverly turns a payment for location into a payment to change ownership.

As the authors suggest, any money used just to have access to land, that is, paying a capital price, is money that could have been invested on real production. They say that seeing land as capital obscures this inefficiency. Knight objected to the 'single tax' as a charge because he believed (or at least affected to believe) that the 'single tax' was a tax, an interference with individual freedom.

Argument 3: Natural Agents Not Special

"The notion that what are called 'natural agents' are not produced (in the sense in which any material agents are produced) is false and reflects a false conception of production" (Footnote 16, Qu.p.406).

Knight's reasoning is that "effective competition" in pioneering and all exploration and development activities" yields the same return than in any other use. This is an argument already met with from Rothbard in a slightly different form.

It is really not a question of reasoning to what land is; it is a question of recognition. Surely it is an elementary discrimination to see the difference between a thing and its use.

Once again we may refer to Henry George in *The Science of Political Economy* "[Production] does not mean creation" (p.323). "Nothing that is created can therefore in the politico-economic sense be said to be produced" (p.324). While labour is the active agent in production, land is the passive agent (p.412).

Just because it is important to Knight to show that land is produced, that does not make it so. To change the term natural resources to "natural agents" alters nothing. To make the thing acted on into an actor simply confuses.

Making land into an actor could have serious consequences for the economy. Charging to the 'services of nature' as some want adds an artificial 'tax' to goods. And as Tideman and Plassmann argue, land price as a capital price is largely a waste of money

that could be used productively elsewhere. This unnecessary inflation is made worse by scarcity and speculation. But these are just some of the problems when you set up a false definition to eliminate the identity of one of the factors of production.

Argument 4: 'Pure Land Value' does not Exist

"Pure land value in the sense assumed by the advocates of the single tax does not exist" (Qu.p.385).

Knight apparently does not define what he means by 'pure land value' which makes discussion difficult. It may be just another way of saying what he said before. That is, because services 'produce' land, these services produce a value equal to the value of those services (ibid.) and thus there is no 'pure land price'. If so, hidden here is the idea that land stands apart from these services. If they were embodied in its getting it, the land value would be the value of those 'services' which is isn't.

Nonetheless, Henry George would agree that land itself does have no value.

Argument 5: There is no Fixity of Land

"This dogma of unconditional fixity of supply", "the basis for the single-tax propaganda" is "utterly fallacious" (Qu.p.385).

Here is the same argument again. Its form this time is that since "natural agents" have the same returns as "material agents" there cannot be a scarcity price for land as Georgists contend.

George believes that land has a scarcity value only when there is private property in land. Land is not inelastic in the sense that, when there is need, more rent-less land can be accessed and superior sites can be used more intensively.

Plassmann and Tideman seem to accept Knight's views about land having a scarcity price, but say that Knight "ignores a difference between the ways original property rights in property and land are established" (p.386). He has ignored the ethical question.

Argument 6: Rent Already Paid by Landowners

"Thus the value alleged to be socially created is always paid before it is received" (Qu. p.395).

The person in purchasing land pays a capitalised price and thus he has paid the rent as best as both parties can estimate it when he buys the land. Any liability for future increments in land value has already been met. Therefore, there are no such thing as an “unearned increment” and land value is not socially created.

Again the ethical argument is just sidelined. It is true that the legal liability of the buyer in the present circumstances of private property in land has been met. But as in all previous cases, both the nature of land and the origin of the land value are ignored, so that the moral liability remains.

To attack the ‘single tax’ Knight has not observed his first duty which is to set out in full the ethical and economic reasons for it. Instead, he substitutes a different ethic: land is capital and any obligation of the buyer is satisfied by paying the capitalised price.

Argument 7: ‘Human Capital’

Knight says

“There is no visible reason why anyone is more or less entitled to the earnings of inherited personal capacities than those of inherited property in any other form” (Qu. p. 391).

Knight asks whether the individual is entitled to what he produces. He says that there are two criteria by which to decide this question. The first is the source of the particular economic power. The second is “the manner and conditions of its use” (Qu.p.390). Both, Knight says, are questions of inheritance. There is the inheritance by the individual of certain talents; there is the inheritance of “social-cultural and legal processes over which the individual has no control” (Qu.p.391). Thus:

“There is no visible reason why anyone is more or less entitled to the earnings of inherited personal capacities than those of inherited property in any other form” (ibid.).

Whatever its aim or its merits Knight’s argument appears to defeat the case for being entitled to one’s earnings by defeating a case for private property. It is strange view for an individual who wrote against socialism (p.408). If talent is a gift of God there is merit in the argument, but earnings are the result of the

use of personal capacities not simply the possession of them. Knight's economic view that human beings are capital, the result of 'inputs and outputs', seems to commit to the view that the individual is almost quite literally the product of parents or other major stakeholders such as society at large. But, despite these past investments and the impact of fortuitous circumstances, we still only have a human being but no goal-directed activity.

Tideman and Plassman quite unnecessarily bring Knight's position closer to Georgism when they say "Human beings, who own themselves ... are classified as 'labour'" (p.388).

Argument 8: Keep Economics and Ethics Separate

"Throughout his life, Frank Knight very eloquently defended the position that economic theory and ethics belong to separate realms" (p.390).

This seems so true as to be unarguable. Yet the connection is well worth considering. Knight disliked economists putting forward interventionist solutions for problems to governments. (However, that did not stop Knight from the suggestion that private property rights could be the solution to road congestion (p.388)).

Economic history shows that economics as a science was developed in large part from addressing policy problems. Adam Smith and David Ricardo are classic examples. What is the use of a study that has no relevance to society except to describe how it operates and then regard it as right? Economics was made to be used. Economics provides the laws of nature but, alike all laws of nature, they are there to be applied ethically for human benefit. To that extent economics is also an applied science whose applications are governed by ethics. What George called the 'single tax' exemplifies this.

Argument 9: The 'Single Tax' is Impractical

"[I]f 'society' means all mankind, treated equally, we must assume an all-wise, all-powerful, and completely benevolent world government. But 'practical difficulties' are a small matter to a reformer 'hipped' on a panacea for the world's ills" (Qu.393).

Tideman and Plassmann are discussing eight objections by Frank Knight to the 'single tax' laid out in a dismissive Review of Geiger's *The Philosophy of Henry George* and a 1953 article called *The Fallacies of the Single Tax*. This argument is the first. The argument is that the 'single tax' is predicated on the assumption that, to a Georgist, 'society' *does* mean all mankind treated equally. Society really means any place with a claim to be a society.

Tideman and Plassmann make the needless concession that Knight is right to define society this way (ibid.). That of course is because they believe that the earth belongs to everyone.

Argument 10: Problems of Appraisal

"[S]ome bureaucrat with power, would have to appraise it – subject to error prejudice and acute disagreement" (Qu. ibid.).

We have seen the argument used by Murray Rothbard. Knight says that, in addition to being inaccurate the value would be set to represent its most valuable use, leading to the government having to say what this "best use" is, spelling it out in detail, and coercing people into that use. What difference, Knight asks, would there be between the 'single tax' and socialism? (ibid.).

But, instead of all this supposition, if we see Georgism as a natural law system where, the rent is set just as it is now by the people competing to use the land, what need is there to tell people what is the best use of each piece of land?

Argument 11: Landownership Justified by Efforts to Get Land

"Their heirs, near or remote, often got unearned wealth, but again that is not a sequel peculiar to land. Consequently, if society were later to confiscate land value ... it would ignore the costs in bitter sacrifice and would arbitrarily discriminate between one set of property owners and another set, where there is no difference to justify that action" (Qu.p.395).

This sounds quite like the 'first user first owner' argument of Murray Rothbard. Yet again the argument ignores George's ethical principles governing property in land. Peculiarly, Knight admits there is 'unearned wealth' but says it is like any other. We have seen that before (see p.11).

Tideman and Plassmann make the point that giving rights of ownership to first users “overcompensates them, leading to the inefficiency of a land rush” (p.396). It calls to mind the wild dash for land in Oklahoma in 1889. Rothbard had spoken about land without the allocating owner as being free and resulting in “a wild stampede” for the very best parts of the city. Here was a wild rush for rent!

Argument 12: The ‘Single Tax’ Takes Away the Incentive to Take Risks

If society proposes to confiscate the gains of the winners ... [it would] not only work injustice but set a precedent that would warn anyone undertaking risky ventures (Qu. p.397).

Now, if society uses the ‘single tax’ it is not proposing to confiscate the gains of the developer, it is proposing to garner the gains of society. Actually, it is also proposing to save the developer’s earnings from income and other taxes. And since the ‘single tax’ is not confiscating normal earnings, why should society compensate some for what they did not produce? It has already been pointed out that any speculator who actually did give land a better and unexpected use would benefit for a time from smaller location charges.

Argument 13: ‘The Single Tax’ Unaffected by ‘Mined Out’ Land

“[Land has] to be maintained at a level to keep the land productive. Its original and ‘indestructible’ qualities hardly enter into its value, after a short period of use, in which the fertility is ‘mined out’; during that time it is like depletable mining deposits ... have nothing to do with the land value of the Single Taxers.” (Qu. p.398).

Presumably, Knight is arguing that, despite the changed circumstances, the ‘single tax’ will remain and will drive farmers out of business. If land were less fertile it would yield a lower rent, and that would reduce the ‘single tax’. Maintaining the soil would constitute an improvement.

Argument 14: Developers Perform a Service

Developers “put ownership in the hands of those who know best how to handle the land so that the value will increase” (Qu.p.398).

This is the argument used by Rothbard. But why is that the landowner? It is noticeable that Knight commends the landowner for doing what he condemned in the bureaucrat; that is, forcing the tenant to put the land to the best use.

But what of that idle land? Knight says the same thing as Rothbard. *“If land having value for use is not used by the owner it is because of uncertainty as to how it should be used”* (Qu.p.399).

Nevertheless, I am sure that others would be prepared to use vacant land in some form. Others may even find a higher use if given the chance.

Argument 15: Slave Owners Deserved Compensation

“The [ground rent] case is often represented as parallel to that of slavery. Since slavery was always ‘wrong’. No one could ever get a just title to slave property, hence summary liberation was just” (Qu. p. 400).

Knight has two arguments against this. His economic argument is that slave owners bought slaves in a competitive market, and so got no more out of their slaves than by employing other labour. His second and ethical argument is that society set up slavery and so “was to ‘blame’” (ibid.). Thus slave owners should have been compensated by society. Here Knight treats the argument against slavery in true historical fashion; he is careful to put ‘wrong’ inside inverted commas to show that he is just reporting what people think!

There could be no genuine discussion about slavery in the Ante Bellum South - see for example the satirical last chapter of *A Perplexed Philosopher* entitled *Principal Brown*. Ultimately that was due to the larger slave owners themselves. And Knight’s first argument is economic and irrelevant.

Knight does not mention the economic and civil claims of slaves; that is, to make their own choices and to own the full fruits of their own labour. Slavery denied these two rights. Slavery was the day by day exploitation of captive human beings. Did *they* deserve compensation?

George's recommendation about compensating slave owners is the same as that for stopping the exploitation of workers. It is merely to stop the day by day robbery from continuing. That is, there would be no retribution and no reparations.

As for the argument that it was up to the state to compensate slave owners, in *A Perplexed Philosopher* (p.220) George says that, legally, the state is only obliged to compensate where there is a contract to do so. Otherwise, he writes "[w]here the right of compensation itself becomes the issue is only where the want of moral sanction in the property in question is conceded". In other words, compensation by the state is conceded only where the property confiscated has no moral justification. Here the 'property' confiscated has a moral justification.

Plassmann and Tideman to my mind quite unnecessarily begin talking of slavery as a 'moral accident' in which the cost of the 'accident' is better levied against the insured individual causing it rather than spreading it out among everyone insured (p.401).

Frankly, the two arguments used by Knight are typical. Their credibility is held together by logic rather than the worth of their basic premises.

Argument 16: The Absolute Right to Land Can Exist

"So, with respect to land, it is said that every human being has an absolute right to access to the earth, by which he must live. But everyone actually has this right, subject to competitive conditions, i.e. that he must pay for it what it is worth (which is less than it has cost)." (Qu.p.402).

The only alternative, Knight says, is for the government to allocate land. But even government must charge for land to ensure it is used efficiently. Not to charge, that is to give every human being an absolute access to land, would produce anarchy. Rothbard in his article (on p.6) has the same consequences. For land to be free would provoke a 'wild stampede'.

Knight, we are told, was a great believer in freedom (p.382) and this statement is close to Georgism. But Knight does not see the distinction that George makes between land, which is free, and location, which may have a charge. Marginal benefits are free.

What is perhaps more interesting than what Knight says is what Tideman and Plassmann say. They say that the opinion given by Knight is “that it is impossible to give all persons equal rights to land” (p.401). Clearly, that is *not* what Knight is saying; he is disputing whether the individual can have an absolute right to use land. What may be the reason for this alteration is examined later.

Argument 17: The Idea of Land Monopoly is Nonsense

“It is true again that many economists have called land a monopoly, and held that a monopolist charges all that the buyer can be forced to pay. But such ideas are nonsense, by whomsoever expressed” (Qu.p.403).

He means of course Adam Smith who gave the term a wide currency among classical economists. It was Alfred Marshall who finally converted the term ‘land monopoly’ to its original Greek meaning. This issue will be dealt with in more detail when the criticism is by Alfred Marshall. For it is true that Henry George talks of land being monopolised. To deny that there is one seller of land is, however, not to deny that there are unequal rights in landholding resulting in a biased market.

Some Concluding Remarks

In concluding, Plassmann and Tideman come back to the criticism that the ‘single tax’ is impractical. They admit to possible difficulties but say that, in comparison to the distorting effects of sales and income taxes on economic life, “the practical difficulties of levying a nondistortive tax on visible and immobile land seem rather small” (p.404).

Tideman and Plassmann’s final remark (p.405) is to recall the seminal difference between Frank Knight and Henry George: a difference upon the question of whether rent is of the same kind of return as wages, profit, or interest. Knight’s answer of course is that land is ‘produced’ in the same way as any other capital good is produced. They say that land is never the product of exertion or abstinence.

CHAPTER 3: SPENCER HEATH

Spencer Heath (1876-1963) was a genius of many talents and many interests, a mechanical and electrical engineer (he invented the rotary engine blades), and holder of a law degree specialising in patent law and an entrepreneur, he is famous, at least in libertarian circles, for his propagation of the *Proprietary Community*.

This is a revision of Georgism. This revision as well as his criticisms of Henry George's *Progress and Poverty* are reviewed in Ch. 28 by Fred E. Foldvary. The Chapter is called *Heath: Estranged Georgist*

As we shall see Professor Fred Foldvary has some affinity with Heath's proposal for *Proprietary Communities*. The alleged concurrence of that idea with Georgism is discussed here but, Professor Foldvary's 'take' to bring Georgism closer to Heath will be discussed in *Part 3: The Geolibertarians*.

Spencer Heath served the Georgist movement from 1898 to 1938 when as Professor Foldvary puts it, he left it frustrated that his peers could not see that Proprietary Communities were merely Georgism taken one step further, a view also taken by Foldvary.

As Foldvary argues, Heath's proposal *was* consistent with George's proposal of a 'single tax'; it was merely another way of administering rent for the benefit of the community (p.412). From 1939 Heath vented his frustration in sometimes violent criticism of *Progress and Poverty*.

A. Heath' Criticisms of 'Progress and Poverty'

Heath's criticisms of *Progress and Poverty* are well answered by Foldvary. Heath's criticisms are examined in p.413-422. Heath's criticisms are:

- *Progress and Poverty* as “an emotional reaction against the institution of private property in land” ignores the closely deductive argument that George gives.
- George promises to follow wherever truth leads yet he had already reached his conclusions in *Our Land and Land Policy*. True but George comes to the same conclusions in *Progress and Poverty* from much more closely argued propositions.
- George has given “the anti-social character of taxation” to the rent of land. Heath must have known after forty years that, from George’s viewpoint, taxation had no part in his teaching.
- George’s distribution of wealth “ignores taxation”. This is not a criticism. Heath regards the ‘single tax’ as a tax.
- Landownership is not a monopoly. This criticism is fully addressed in the study of Alfred Marshall.
- George’s shorthand description: $\text{Wages} + \text{Interest} = \text{Total Product} - \text{Rent}$ is “a mere mathematical truism” and the only support for his theory. In reality, it is just a shorthand way of presenting it.
- George in relation to rent and wages “could not always distinguish between a quantity and a ratio”. This may have some truth but at critical points George showed he did.
- More labour and capital are applied to better lands. George did take this into account as has been shown.
- The ‘single tax’ will result in government “dictating [citizens’] lives”. A much repeated argument and one already addressed.
- Landowners “without tenants ... have no rent to be seized”. There is of course an imputed rent.
- Heath claims that the ‘single tax’ is virtually land nationalisation. This is a serious criticism as it is relevant to what is said in Part 3.

B. Heath's Proposal in Theory and Practice

What is central to the article is Heath's theory of the proprietary community and that raises two questions: is it really consistent with Georgism and is the theory workable?

It is Heath's view that

"Any divergence between my views and those of Henry George respecting the Remedy has reference only to its mode of operation and its effects, and not to the remedy itself" (Qu.p.412).

Professor Foldvary agrees immediately.

"In his theory of proprietary communities Heath did not therefore contradict Henry George, but took his thought in a new direction" (ibid.).

Heath's Theory of Property

If we accept this there is an end to the matter. But before examining the concept of proprietary communities the question is what is it that set Heath's thinking about taking George in a new direction?

It is not simply that Heath had found a better way to administer rent, that is, without what Heath claimed was coercion. Coercion is an interesting idea. In studying Heath one first thinks of coercion having to do with the collection of the 'single tax' by government: it was a forced payment. But that is not the basis for Heath's use of the word.

George grave error is not in the mode of collection; it is the very collection itself. As he writes in private correspondence, George had disregarded the fact that the 'single tax' was taxation!

"And upon this idea [that rent-taking by contract is the cause of society's wrongs] he is naïve enough to suppose that the same arbitrary power that seizes produce in general, once it seized all the part that had been contractually ear-marked in the market as rent, would then desist from all its former depredations" (p.1, To an Advocate of the "Single Tax" NY Science of Society Foundation n.d. Online Edition July, 2006.).

Soon after Heath writes in this same correspondence (pp.1-2):

"Somehow the taxation the George fancifully casts out for the purpose of his argument or analysis is supposed to vanish in reality in proportion as the politician lays violent hands on the portion of production that otherwise would be rent".

In 1935 Heath finally had the answer: the proprietary community. It combined what was attractive about the Georgist movement, free trade, while getting rid of its error, the “confiscation” of rent mentioned in *Progress and Poverty* (p.406). Landowners would administer the rent for common services taking what remained of the rent as their wages.

This was built upon an attempt to enunciate a new theory of property damaged by the attacks of Henry George. Property was not so much a right as it is ‘productive capital’, part of a social function of its stewards holding land in trust for good works. Landowners thus had an important social function to perform. As his lifelong disciple and grandson Spencer MacCallum puts it the word *own* comes from the same root as *owe*. Owners of ‘private property’ in any locality had to see that they should form themselves into an association to carry out this important social function of land-owing.

Its application: The Proprietary Community

It is said that the benevolent nature of these landowners will be reinforced by the contractual arrangements that sustain the rents. John Chamberlain, friend and disciple of Spencer Heath in his Foreword to Heath’s *Citadel, Market, and Alter* (1957) describes the proprietary community in *Manas* Reprint October, 1957: http://www.manasjournal.org/pdf_library/VolumeX_1957/X-40.pdf

“Heath predicts that property owners will some day pool their titles and take over the administration of such community services as water supply, garbage removal, highways, parks, tennis courts and the policing of local areas.”

Heath himself wrote:

“Thus there will be established a unitary community ownership and authority powerful and influential, having no motivation but the community welfare, automatically financed with voluntary revenues in proportion as it contributes to that welfare and in like manner penalised in degree as it fails to do so” (Qu. p.424).

Heath further explains that:

“the slightest neglect of the public interest or lapse in the form of corruption or oppression would itself penalise them by decline in rents and values” (Qu.p.423).

Doing away with the state, preserving the contractual basis of rent, and anchoring administration of government simply in markets is attractive especially in an age of increasing state intervention in society. Professor Fred Foldvary is a case in point.

Some Questions for Enthusiasts to Explore

But some doubts and questions come to mind:

- Even with employees to do the work are all landowners able to fulfil their social function managing the local community? Surely, many have their time cut out earning a living or fulfilling onerous business commitments.
- It is therefore likely that power would gravitate to a few relatively unsupervised landowners, the sort who may begin to think quite un-benevolently about their opportunities.
- Landowners are to manage common services but you would think that it is just these common services that are beyond the power of local communities to administer.
- Moreover, the rents of some wealthy communities with abundant infrastructure are likely to well exceed the cost of their upkeep from little effort in management.
- On the other hand the poor rents of some localities in dire need of infrastructure will most certainly fall short of what is needed. How will these landowners be paid for their difficult work? This situation could lead to the virtual abandonment of such communities.
- In an individualistic age of commercial relationships how many landowners would support the idea that their rent should be spent on good works?
- What happens to those who will not join?
- Heath assumes that contractual arrangements will replace relationships based on power, yet he also assumes that contracts are signed by individual tenants with landowners everywhere united into associations.
- We can imagine how a 'single tax' would come about by the idea becoming a social movement with political effect. But how does a nation of proprietary communities come about?

- What is the rent of a proprietary community? Do landowners surrender all rent or only ground rent? And how do we know they have? Who will settle tenant/landowner disputes?
- Might not tenants argue that rent collection and spending should be dealt with democratically, after all, rent they might say is a social product owned by the community as a whole.
- There seems to be one contract in a proprietary community for all common services. What happens to common services when a tenant does not pay his or her rent?
- Can the repressive aspect of the state, especially the police and judiciary, ever be eliminated? The landowners' association could control both!
- Will landowners also introduce user-pays charges and in that way retain more of the rent?
- Is having all common services governed by one corporation (the landlords') free trade or monopoly? Would there be need of regulation (coercion) by the state? Is there a state to do it?
- Will some landowners of proprietary communities begin to take the view that their distribution of rent to the community is really only a gratuitous act of charity from which they can renege?
- A difficulty with proprietary communities is that the landowners of one proprietary community are likely to be taking rent created in other proprietary communities. What can be done about this?
- Is it possible for a dissatisfied tenant simply to move to another piece of land in a proprietary community as he would in one where there was a 'single tax'?

Where is George Lacking?

The basis of the proprietary community is Heath's theory of property. But that basis could in no way be seen to equate to the ethical basis of George's philosophy. Moreover, to argue that Heath's ideas are a needed extension to George's teaching, it must be shown where it needs improvement. That must lie in the allegation that the 'single tax' is applied by government.

Does George's system in any aspect involve coercion? And will what Heath has in mind eliminate coercion?

Certainly Foldvary accepts the elimination of coercion as the critical advantage. He writes for example "[u]nlike sovereign governance, proprietary administration is subject to a market discipline" (p.423).

Is the State's Collection of Rent Coercive?

To answer this question we may look directly at the funding of local government in the eastern states of Australia for the best part of the twentieth-century. The only "imposition" was to go to the local council at intervals and pay the 'rates' (a fraction of land value), something now possible 'on line'. This brings with it the possibility that there might be no reliance on landlords.

To examine this charge we also need to see what the 'single tax' replaces. Our taxation system has turned what should merely be an administrative system into a repressive system.

Being valued from outside the site, site revenue has no need for what is real coercion. There is no need of an army of tax officers having forcible entry to your dwelling to seize your computers and financial papers for 'audit'; no need for the imposition of annual self-assessment of income tax (along with threats and fines), or the impositions on businesses to comply with what in Australia is called the Business Activities Statement every three months needed to calculate the Goods and Services Tax. Neither is there need for the inequities and discouraging effects of "progressive" income tax, nor for the 'tax avoidance' industry by which to escape it. What makes these taxes truly coercive is that they are all aimed at taking your private property which the 'single tax' isn't.

With simple precautions already outlined there is really little substance to the repeated allegation of liberationists that the 'single tax' is coercive. Tenants in particular would gain wonderfully. When they pay their rents they paid their taxes! And, as George reminds us, we are already habituated to paying taxation.

But there is still one aspect that could give some credence to the charge of coercion. This is that, in the usual system that is imagined, landowners are forced to collect and pass on what

they do not own. Still there is no trouble in collecting ground rent and everyone is subject to the same 'coercion' as the landowner, to pass on the rent. There is as well the payment to landowners that George proposes for rent collection.

A great deal of emphasis is put by Heath on the superiority of contractual agreements. These are in part contracts for common services, but is one contract, or many contracts for common services where they are outsourced, better than having no contracts? The teaching of Henry George was that common services are provided free if possible. Now, if this is possible, where is the coercion?

Some Answers

Heath has an answer to the question raised earlier about common services which by their nature are national in aspect.

Here Heath writes

"it is only necessary that the site-owning interests, or substantial portions of it duly organised in corporate or similarly effective form, merge their separate titles and interest and take in exchange corresponding undivided interest in the whole" (Qu.p.424).

What does this passage mean? First, it sounds even more awkward. That seems to defeat the whole localised nature of proprietary communities. And, this passage may possibly mean that landowners will be unified into a few vast governing corporations and take over a large portion of the running of the modern state, virtually a landowning state!

What Heath himself says about those landowners who will not be incorporated is that they will be treated as second class citizens; that is, have access to only some of the available services. That is really not a satisfactory answer.

Foldvary says that Heath had little to say about a transition to a proprietary community nation. However, he did say that proprietary businesses were spreading and that, one day, it would be possible to incorporate them so that "all private capital [came] under the public proprietary administration" (Qu.p.426).

Is 'Contractual' also 'Voluntary'?

Heath saw “contractual” and “voluntary” as pretty well identical. Contracts were necessarily between freely consenting persons, but “contractual” will not always mean “voluntary”.

Personal anecdotal evidence comes from a chemist in a shopping mall, one of Heath’s models. He became so enraged at the rack-rents and the interventions of management in his business (including electronic spying on his cash register) that when he retired some years ago he took his chemist’s licence with him, foregoing a \$20,000 offer from the owner and leaving the large shopping mall with just one licensed chemist! Much is said by liberationists about non-benevolent governments but what of non-benevolent landlords armed with the power of eviction?

More important, has this system got rid of full land enclosure, unequal rights to land, and the dysfunctional markets that come with them? After all that is why there is a ‘single tax’.

Did the Proprietary Landowner Create Rent?

Heath first acknowledged that rent was a social product (p.412), but then drew a harder line. He turned to the argument that that landowners did earn rent, from their “distributive services” (that is, from allocating land), in a proprietary community from providing civic goods, and as an entrepreneur from creating land values. Commenting on these claims Professor Foldvary writes that “[t]his is not inconsistent with George’s thought” (ibid.) That argument is treated in the next Part.

C. Conclusion

Spencer Heath saw proprietary communities as the answer, giving both free trade *and* private property in land, retaining all the benefits of liberty that George foretold.

This examination of the concept has suggested that it preserves private property in land and, thus, the enclosed society with all the deleterious consequences that Henry George so brilliantly traced. And that must leave one doubting the integrity of the contractual arrangements that Heath presumes will give freedom to his society.

There is an ambiguity also at the basis of Heath's proposal. This is that, on the one hand, Heath advocates private property in land and, on the other, distributes the rent in common services. If rent does belong to landowners why should they both distribute rent this way and even take on the arduous task of administering it? The reason apparently is that the rent they receive is designed to be spent this way. It is all part of a social function that landlords have. That is, it justifies their place in society. Spencer Heath seems to want it both ways: they own the rent because they own the land, and they own the rent because they fulfil certain social duties. Which is it?

While Heath's system is based upon the improbable almost universal consent of landowners, his reason for having it, that the 'single tax' is coercive, is unconvincing.

Clearly, in the 1930s Georgists did not accept that landowners own rent, nor that they that they should have the power to administer it. Despite this many Georgists today believe that that there is a close affinity between Georgism and its supposed diminutive descendant, the proprietary community. 'Community trusts' are very fashionable. These they see as a veritable half-way house to Georgism!

CHAPTER 4: ALFRED MARSHALL

Alfred Marshall (1842-1924) was one of the founders of neo-classical economics. He is said to have brought the ideas of supply and demand, marginal utility, and the costs of production into "a coherent whole". He introduced to economics the concepts of the *inelasticity of demand*, *consumer surplus* and *quasi-rent*. He was Professor of Political Economy at Cambridge from 1884 to 1908. His book *Principles of Economics* written in 1890 remained a standard textbook for decades. He is generally considered to be a leading figure in the Austrian School of economics. The article here, *Marshall: A Professional Economist Guards the Purity of his Discipline* by Robert F. Hébert, is Ch.4.

Professor Robert Andelson, the editor of *Critics of Henry George*, assures us (p.18) that “Without being dogmatic ‘true believers’, the authors of the ensuing chapters are all sympathetic, more or less, to George’s contribution.” But here we meet one that is most definitely less sympathetic.

Professor Robert F. Hébert discusses the differences of opinion between Henry George and Alfred Marshall under four major headings leading to the conclusion announced in the title.

1. Progress Causes Poverty

These headings are presumed to be parts of George’s economic theory. The first issue is that progress causes poverty.

Real Wages

The point made by Marshall is that during the last two centuries progress has not brought poverty, rather the poor have become richer “at a very slow rate” (p.64). This assessment is presumed to be accurate (p.65) and then the matter is left by Hébert since “it retains little more than historical interest” (ibid.)

But the issue cannot really be left there because the issue forms one of the most important parts of *Progress and Poverty*, and because the issue is more complex than Hébert presents it as the rise or fall of real wages.

The statistician Thorold Rogers writing in 1884 (that is, one year after Marshall’s principal attack on George) concluded

“Latterly, almost within our own memory and knowledge, [the condition of the English labourer] has experienced a slow and partial improvement” partly to be explained by laws restraining employment and the action of trades union. Professor Rogers agreed with another statistician “that the best condition of the English workmen was during the fifteenth century ...” and that the beginning of the nineteenth was among the worst (p.521, Six Centuries of Work and Wages

<https://socialsciences.mcmaster.ca/econ/ugcm/3ll3/rogers/sixcenturies.pdf>

If true that suggests that legislative or trades union action, or an enforced secondary distribution of wealth beyond the labour market, has produced some of this improvement in real wages; that is not the conclusion that Alfred Marshall would like.

It is interesting that the good times of the fifteenth-century came before two centuries of rapid enclosure of land. John Hales in

his *Discourse of the Common Weal of the Realm of England* written in 1581 summed it up when he has a husbandman say:

“Marry, these enclosures undo us all for they make us pay dearer for our land that we occupy; all is taken up in pasture, either for sheep or for grazing of cattle insomuch that ... where forty people had their livings now one man and his shepard hath all” (See *The Great Robbery* by J.W. Graham Peace, Commonwealth Press, London, 1933).

Another way of putting the statistics of the nineteenth century could be that real wages have improved but the ability to save was not improved. The statistician W.D. Rubinstein estimated from probate records that whereas in 1858 86% of those dying left *nothing* for probate, by 1900 this figure had fallen to 83% (p.30, *Men of Property*, Croom Helm, London, 1981).

Social Inequality

But the issue is not primarily whether real wages rise or fall. The Second Industrial Revolution was also called The Gilded Age. The growing social disparity in wealth, evident by the 1850s in England and obvious in the United States soon afterwards, gave George a strong case ignored by Professor Hébert.

George had already set out his mature judgment in *Progress and Poverty*; it is that the advance of rent on urban land is the largest cause of social disparity.

“We have seen that with material progress, as it is at present going on, there is a twofold tendency to the advance of rent. (George means the decline of the margin and the growth of rent on supra-marginal sites.) Both [tendencies] are to the increase of the proportion of wealth produced that goes to rent, and to the decrease of the proportion which goes to wages and interest” (p.441).

Rather than getting richer it might be more accurate to say that the poor were getting less poor. Rubinstein’s opinion of the period is that “the distribution of wealth appears phenomenally unequal” (p.30).*

*Rubinstein adds that land was not included in probate. “This was perhaps the most unequally distributed commodity of all ... and its exclusion [from probate] means that inequality is even greater than that recorded here” (ibid.)

William Gladstone summed it up nicely speaking in 1861 of the last twenty years of progress:

“The fact is so astonishing as to be almost incredible ... this intoxicating augmentation of wealth and power ... entirely confined to the classes of property ... must be of indirect benefit to the labouring population, because it cheapens the commodities of general consumption” (Quoted by Marx in Capital, Vol. I. Moscow Edition, p.610).

Marshall sets out the contrary opinion (p.72) that a falling margin has more effect upon wages than “rent fees”. But we note that he is not talking about disparity of wealth or incomes. It is simply about wages. But he does allow the idea that if population were not over-concentrated, its advantages for manufacturing “need not make wages fall if the efficiency of the population can be kept up” (Qu. *ibid.*). This is one of the points made by George in Book IV, Ch. 2 of *Progress and Poverty*.

While the unskilled labourer participated disproportionately in progress one could still expect some increase in real wages from the very processes described by George in Book IV and confirmed by observations such as Gladstone’s.

But importantly, Marshall can only find a solution for poverty from competitive markets, that is, within laissez-faire capitalism. For any substantial improvement in wages, he says that it was necessary for there to be fewer unskilled labourers (p.67).

Competitive Markets

Hébert argues that it is this lack of appreciation of competitive markets where George’s theory of wages is “heuristically” less attractive (less suggestive of solutions) than Marshall’s. This is even amusing considering the solution that Marshall does suggest above!

Not only that but he argues that, without the knowledge of competitive markets, “George’s analytical ship runs aground” (*ibid.*). Apparently George is supposed to be ignorant of competitive markets.

But George is quite aware of supply and demand as he shows in these two instances in *Progress and Poverty*:

“The law, or relation, which, under these circumstances of free competition among all parties (the condition which in tracing out the principles of

political economy is always to be assumed) determines what rent or price can be got by the owner, is styled the law of rent”(p.167).

and

“But, though all the circumstances which produce the differences in wages between occupations may be considered as operating through supply and demand, they, or rather, their effects ... may be separated into two classes, according as they tend only to raise apparent wages or as they tend to raise real wages”(p.209).

The latter statement, I think, goes further than the first to suggest that, while supply and demand operates, what is more important for wages are certain circumstances in which they operate. So: in some circumstances supply and demand will raise real wages, in other circumstances they only apparently do so. The circumstances that deserve attention are those that affect the margin of production.

One such circumstance must be the degree to which land is enclosed. George contrasts the effect on the margin of free land and land which is “all monopolised” (p.213); that is, enclosed as private property leaving some landless. In the latter circumstance, by competition among workers for employment “wages may be forced to the minimum at which labourers will consent to reproduce” (ibid.). Rent has advanced to engorge a part of wages; it has become a rent for access to land.

From a Georgist viewpoint Marshall fails to consider such circumstances in which the laws of supply and demand may operate, leaving him to describe what is really an appearance, an appearance produced by the circumstance of the total enclosure of land. In the end Marshall’s approach is no more sophisticated than that of classical economists and indeed the neo-classicists.

2. High Rents Cause Low Wages and Interest

This section begins with Hébert’s explanation of the wages-fund theory. Again, Hébert argues that George ignored the demand/supply framework of that theory by making the determination of wages “depend entirely on the behaviour of land rents (another functional share)” (p.66). As we shall see

that is not entirely true. The apparent refutation of George is then used to introduce Marshall's view which, to determine wages, is anchored wholly in supply/demand.

George's account of the determination wages in a free market, however, excludes rent:

"Wages depend upon the margin of production, or upon the produce which labour can obtain at the highest point of natural productiveness open to it without the payment of rent" (p.213, author's emphasis).

George goes beyond the appearances given by the institution of private property in land, George argues, *not* that high rents cause low wages and interest, but that rent is not a factor at all in the determination of wages, *given free land*. In the circumstance when land is "all monopolised" it is not high rents themselves somehow causing low wages; it is the intrusion of rent into the margin.

Hébert will not enter into 'the land question'. He will not discuss the circumstance of the effect on the distribution of wealth of *private property in land*. In fact, in the twenty pages of the article he does not even mention the term. The closest reference to it is on p.77: "nineteenth-century systems of land tenure"!

Still he does say that Marshall did not recognise George's positive contribution of the principle of 'the interchangeability of wealth' (see p.2 above). "George may have been the first writer to explicitly suggest a continuous production function" (p. 66).

3. Land Rent is a Monopoly Price

Professor Hébert explains that George has picked up the loose usage of the term land monopoly from Adam Smith's reasoning that land is a gift. Because it has a price, Smith (and thus George) concluded that it could not be a competitive price so its price must be a scarcity or a monopoly price (p.68). Thus, George's presumption is that the price of land comes from its *location*. A location is unique, thus "the supply of land is perfectly inelastic" (p.70).

I have not found George anywhere to say this.

But to continue: Hébert says that this view changed when it was realised that land had alternative uses. The fact that **A** held one plot in a block owned by forty-nine other owners meant that **A** can exclude others from his block but forty-nine “reasonably good substitutes” remain (ibid.).

Modern economists then knew that

“a payment (in the form of opportunity costs) must be forthcoming in order to secure land for a particular use, and this payment is a necessary economic cost of production” (pp.68-9).

That discovery, that there were substitutes for any plot of land, meant that the price of land had to be a competitive price just as with any other commodity; thus land too had to have an economic cost.

However, while there are certainly viable alternatives to a site, that fact is irrelevant. Whatever alternative is selected its price is set the same way, by its available benefits.

Marshall was different. He defined land price in terms of *use*. His argument is that higher demand for a particular use of land brings forth more land. Just as a higher price for a commodity brings in new supply, other land is converted to that use. Thus, in Marshall’s view, land “was supplied under conditions approaching competition” (p.70). Professor Hébert says that “the argument was lost on George” (p71).

But here we are arguing at cross purposes. George’s argument is that two plots of land do not compete like two products. The two plots are actually equally valueless. Their worth does not come as they would if they were commodities, from their features; their worth comes from their locations for which there are alternatives.

Yet to Hébert George had “clung to the classical conclusion that land rent is not a necessary cost” while at the same time believing that land had alternative uses” (p.69). That was an impossibility. George had no idea of “the analytical subtleties involved here” (ibid.).

Rent not a Cost of Production

As Ricardo and others observed rent does not enter into price. It is not a *necessary* cost of production in the Ricardian theory.

Rent is a payment to produce something more easily using locational advantages. It is a payment to reduce costs.

He points out in *The Science of Political Economy* (pp.363-4) the fact that some occupations require little space and that we can “economise superficial space” by building higher. He points out that, despite this, rents are very high in New York; they are measured in cubic feet! There are clearly alternatives but the prices are still high. Clearly, the price is not high set by ‘fixity of supply’ but simply because of the advantages of location.

For Hébert Marshall’s logic sets up the conclusion that land is not a unique factor of production. Land behaves in the economy just like any other good. But, since George had given an *ethical* reason for the uniqueness of land as an unproduced factor of production, an economic argument is in any case irrelevant. Professor Hébert acknowledges this later (p.73).

George’s View of Land Monopoly

The following quotation from *Progress and Poverty* shows that George did not think that the price of land was necessarily a monopoly price.

“If one man owned all the land accessible in any community, he could, of course, demand any price or condition for its use that he saw fit ... This has been the case in many communities; but in the modern form of society, the land, though generally reduced to individual ownership, is in the hands of too many different persons to permit the price which can be obtained for use to be fixed by mere caprice or desire ...” (p.167).

Plainly, there is competition here varying with the degree of monopoly. George had pictures of different degrees of land monopoly in San Francisco and New York in 1869. But by 1879 he could see the coming of land monopoly as it existed in the older nations across the Atlantic. His object was to preserve free land.

How far can land monopoly go? In *The Science of Political Economy* (p.256) George suggests that just as this scarcity of land grows there arises “a desire to use land more generally”, the desire increases and is measurable by the degree of toil and trouble one is prepared to go to in order to get access to land. Full monopoly pushes this desire to its “full expression”.

The Economics of Outrage

Professor Hébert prepares the reader for his later conclusion that economics needs to be protected against the impurities of what Marshall once called preaching by the claim that “George’s ethics often intruded on his economics” (ibid.). It makes him subject to error. He is “muddled in the wake of passionate declamation” (ibid.). A passage from *Progress and Poverty* (pp.412-3) is quoted to give evidence of this muddled state.

George’s argument here springs from the general proposition that monopolies are fitted for taxation. That is, monopolies, having a surplus profit, can be taxed. Land is a monopoly (to George the largest surplus profit of all), so land should be taxed. Now that argument, even if wrong, is quite logical.

George had been discussing various monopolies varying in degree: patents and copyrights, ‘navigation laws’ constricting shipping, railroads (of course), and the telegraph. But he is really getting ready to turn the discussion towards another monopoly, land. He says that “the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation” (p.412).

But *Progress and Poverty* had already argued that land is not ‘taxed’ because it is a monopoly; it is ‘taxed’ to create equal rights in using it. Even if there existed no degree of monopoly in land ownership the purpose of the ‘tax’ would remain the same, to give everyone the use of possessed land on equal terms.

Against Professor Edwin Seligman in Saratoga NY in 1890, George correctly argues that monopolies (producing surplus profits) are best eliminated not taxed. Now, while you can eliminate a surplus profit, you cannot eliminate the ‘surplus product’. The nature of rent is not a surplus profit from monopoly; it is a surplus product because of land being subject to differential benefits. Here in pp.412-3 George merely misunderstood the difference between rent and surplus profits. He is not the only one.

George had not argued especially passionately or by “declamation”; his argument is strictly an argument about economic efficiency, an argument to force more land into use by taxing it.

4. Land-Value Taxes Stimulate Production

The idea of land speculation says Professor Hébert is “another Georgian bugbear” (p.71). He is talking about George’s theory of depressions set off by rent speculation (see *Progress and Poverty*, Book V).

Hébert only says that George’s theory was attacked by Marshall as “based on a questionable theory of income distribution” (ibid.). Speaking for Marshall Hébert says

“high or low ground rents do not of themselves cause income fluctuations; instead, these fluctuations are the outcome of changes in demand and/or supply conditions of the agents of production” (ibid.).

Here ‘business cycles’ are reduced to normal effects of demand and supply upon rents, interest, and wages which does not explain what are obvious occasions of economic malaise. George does cite fluctuations in supply and then demand leading to economic depression. But George factors in what Marshall again ignores: the influence of the institution of private property in land in the settings of demand and supply.

The ‘single tax’, Marshall argued, did not produce economic growth. In fact it barely affected the distribution of wealth. But Marshall did hold that land value taxation did not disturb production as much as other kinds of taxes (p.73). Now that in itself being true, if taxes that did disturb production were taken away and the ‘single tax’ were put in their place, would not the result be to stimulate production?

Next there is George’s argument that speculators held land out of use damaging economic growth. Marshall admitted this. But Professor Hébert then says that Marshall called attention to another aspect of speculation “never acknowledged” by George. Speculation has its positive side.

This is by now familiar view of the speculator as the allocator of land to new uses which others do not see. Here we find the speculator in its older sense as the projector of new developments of all sorts that produce growth in the economy. If they did that George would have applauded. After all, was he not a projector?

The question arises for Marshall about how to prevent the “anti-social” while preserving the positive aspect of speculation. This soon passes into the ‘too hard basket’. Instead, Marshall recommends caution from “hasty attempts to control speculation by *simple* enactments” (Qu.p.72, my emphasis).

Hébert’s conclusion is that “ultimately, the question of whether or not a general land-value-tax will lead to an increase in production remains problematical” (ibid.) - so much for Hébert’s defence of George. (A single reference to a ‘general land-value tax’ is as close as Hébert ever comes to mentioning the ‘single tax’!)

Property Rights

Marshall has nothing to do with the ethical aspects of property. Rather he claims that the rights of private property do not rest on “abstract principle” but on its being inseparably linked to economic progress (p.74).

But is this economic progress linked to a fairer distribution of wealth? After all, that is the subject of *Progress and Poverty*? As we have already seen Alfred Marshall was far from settling that question or from showing any great interest in it. What does interest him is the efficiency of land value taxation and there he seems increasingly to agree with Henry George.

Marshall agreed with George that differential advantages from fertility or population are a “public value” and “that this rent could be taxed away without adverse effects on production or consumption” (p.74). Hébert here refers to p.360 of Marshall’s *Principles of Economics* written in 1890.

All this is indeed strange. Marshall’s agreement with George on the matter of a general land-value tax must reduce in importance all the differences we have seen. Yet, Marshall has the same hesitation as Herbert Spencer (see *A Perplexed Philosopher*); Marshall is one of those who wish that such a revenue had been imposed “from the first” (Qu.p.76, p.661, *Principles*). While he would not make the proposal himself, Marshall did support a land-value tax, however, when proposed by Lloyd George in the 1909 Budget proposal (ibid.).

Marshall adds a “private value” rent traceable to the landholder (p.75). As he says, George would probably have seen this as improvements or capital. George did as Hébert suggests argue that in time some improvements made in antiquity ought to come to belong to the nation. Hébert refers to *Progress and Poverty* (pp.343 and 426). It really is a small point.

Marshall's Attitude to the 'Single Tax'

As I looked at this article I was struck by the similarity between Alfred Marshall and another founder of neo-classical economics, John Bates Clark. There seemed to be three important similarities. The first was that, at the time of their attacks on George both were seeking advancement in their careers. Marshall at the beginning of 1883 was seeking a better teaching position at Oxford; in 1886 Clark wanted a place at Columbia – where he finally arrived in 1890. The second similarity was that each was trying to throw off any imputation of being socialist. Professor Hébert says that the lectures Marshall delivered in Bristol in 1883 appear to be his “first deliberate attempt to renounce his socialist ‘ties’” (p.62). Clark had been warned in 1886 that his writings appeared to others to be socialist. Clark’s attack on Henry George came in the form of his *Capital and Its Earnings* in 1887 in which he set forth the bases of his neo-classical teaching. The third similarity was that the violence of their attacks (in 1887 and for Marshall in 1883) seemed to show that they both shared a sense of outrage at George’s attacks in *Progress and Poverty* on the rights of property in land. It would be over-cynical to suggest that they merely saw this attack as a way to appease their superiors.

Marshall is described by Hébert as “a reluctant critic” of George (ibid.). Yet in his three lectures on *Progress and Poverty* Marshall warns his adult education class that, by applying its doctrines, there will be “numberless widows” ruined; the country will be brought to the edge of civil war; “capital and business ability” will be driven from the country. Marshall did not publish, saying that he did not want controversy, but that did not prevent his aggressive pursuit of a very tired Henry George when he arrived at Oxford to speak in 1884. It was at this time

that Marshall was offered the Chair of Political Economy at Cambridge.*

Rent and 'Rents'

Professor Hébert writes that the differences between Marshall and George were “mainly taxonomic” (p.74). To show this he discusses the meanings of *rent*. For Marshall rent is a *surplus* and occurs either from scarcity or from differential advantages. Hébert writes that George would have found this twofold classification “congenial”, but that of course was “if he had fully understood it” (ibid.).

George did understand it. As ‘unearned incomes’ the two kinds of this surplus were discussed in his final address in the Saratoga Debate of December 1890. He did not find Marshall’s concept of rent ‘congenial’.

In fact, to say that scarcity and differential advantages fall under the same genus as *surpluses* is quite misleading. In the case of rent proper (from differential advantages) there is a true surplus of *production*. If there is a scarcity there surely cannot be a surplus – at least not a surplus of production; there is merely a surplus *profit*. As already argued, rent should not be confused with surplus profit. It is only the landowner in the absence of the ‘single tax’ who gets a surplus profit; his tenant gets a surplus production. Marshall does hesitate to call all surpluses rents though he calls non-rent surpluses ‘quasi-rents’.

George also said in this debate at Saratoga that private monopolies created by government could be eliminated but natural monopolies should be administered by government. But even government created monopolies are superior to landownership. At least they involve some labour from the profit-takers.

*Outrage was common as George’s star rose in the early 1880s though none reached the heights of the ninth Duke of Argyll in 1884. Amusingly, his derisive characterisation of George as *The Prophet of San Francisco* stuck and ended up becoming a compliment.

Guarding the Purity of the Discipline

As already said Hébert's discussion is aimed at this conclusion. Marshall was setting out "the defence of a professional economist against attacks on the integrity of his discipline" (p.77). By implication George had lacked integrity. Being a good economist was secondary to his program of reform. As an economist he had used erroneous facts to justify his land reform.

To Marshall he had argued from "weak or invalid empirical premises" (pp.77-8); and, to Hébert, "he did not seem mentally equipped to handle the theory of competitive markets, which was to Marshall the essence of economic analysis" (p.78).

As already argued these conclusions about George are doubtful. *Progress and Poverty* is built upon supply and demand modified by 'private property'. Competitive markets by themselves could only describe the dysfunctional market economy called *laissez-faire capitalism*.

And more important was the ethics *behind* the economics, something that Marshall avoided. To the Duke of Argyll who in 1884 had accused George of pushing an "immoral doctrine". George replied that he was very glad to have his political economy judged by the test of ethics.

"As far as I can see, there is no social law that does not conform to moral law, and no social question which cannot be determined more quickly and certainly by appeal to moral perceptions than by appeal to intellectual perceptions." From George's Reduction to Iniquity.

It was a bold assertion *viz.* that the 'single tax' could be judged solely from the ethical principles from which it was deduced!

PART III: THE GEO-LIBERTARIANS

CHAPTER 1: THE BASIC PROBLEM IN GEORGIST THEORY

Before coming to the geo-libertarians it may be a good idea to look at what I believe is an underlying part of their error. Heath alleged that George urged virtual land nationalisation where landholders would be left with nothing (p.74, *Citadel, Market and Altar*, 1957).

The 'Single Tax' Virtually Nationalises Land

It is an argument that can be found also in Rothbard and Knight. Some Georgists deny this; some few accept it, and many gloss it over.

Spencer Heath objected that, by taking rent, the 'single tax' would "take the kernel" of ownership as George himself says in *Progress and Poverty* (p.405). To Heath that amounts to virtual land nationalisation (p.414).

Professor Foldvary replies that possessory rights are not worthless, the tenant is evidently willing to pay for them, and that these are exactly the rights of a tenant in a proprietary community. By using the word tenant Foldvary very nearly argues that land *is* public property. That is, under the 'single tax' the possessor of land has no more rights than a tenant. That answer does not resolve the question.

George's Advocacy of Land as Public Property

In 1884 in his *Conversation* with David Dudley Field, Field asks

"Your theory does not touch the title to land, nor the mode of transferring the title, nor the enjoyment of it; but is it a theory confined altogether to the taxing of it?"

George responds

"In form. Its effect, however, if carried as far as I would like to carry it, would be to make the community the real owner of land, and the nominal owners virtually tenants, paying ground rent in the shape of taxes," (pp.225-6).

Further in the *Conversation* George says "I hold that the land belongs equally to all (p.230)." This is repeated (p.234). In 1886 and pp.281-3 of *Protection or Free Trade*, George writes that "[a]ll we have to do is to treat land as the joint property of the whole people"; and a little further

"a rent based on the value of the privilege the individual receives from the community in being accorded the exclusive use of this much of the common property".

Finally, in discussing the method of the 'single tax' agitation, George suggests that at the end of the long road of progress towards this reform, the object attained is

"To make land virtually the common property of the whole people, and to appropriate ground-rent for public use ..." (p.282).

Of course here George may mean by common property an equal right of use but why 'virtual'? It appears to be now a second primary motivation for the 'single tax', to make land virtually public property. That could mean that to hold land is a privilege and that the value of this privilege is rent.

Protection or Free Trade is a book probably written in England in some haste for two reasons. First, the initial manuscript had been lost. Second, it is meant to garner support for the re-election of the Democratic President Grover Cleveland in 1888, an election fought on the issue of lower tariffs. As such could he be appealing to land nationalists who, surprisingly, predominated at the time in his movement? In my opinion, however, it is simply a lapse corrected in 1892.

Critics had already leapt upon pp.403-5 of *Progress and Poverty* to deduce this same purpose of land nationalisation in the 'single tax'.

Here George does not declare *against* land nationalisation. But neither is he *for* it. He suggests (p.404) that "I propose to accomplish the same thing in a simpler, easier, and quieter way". Crucially, George does not mean to "accomplish" land nationalisation. What George wants to accomplish is to

"secure, in a more complex state of society, the same equality of rights that in a ruder society were secured by equal partitions of the soil, and by giving the use of the land to whoever could procure the most from it, we should secure the greatest production"(ibid.).

So "the same thing" is not land nationalisation; it is the plan to secure equal rights in land. As for the plan to get equal rights in land by land nationalisation and "letting [land] out to the highest bidders" (p.403); that plan, he says, "does not seem to me the best" (p.404).

In other words, what George is talking about is *how* to accomplish the 'single tax'. The 'taxation' of rent is a better way.

On p.405 George talks of "great changes" being brought about under "old forms". Critics again jumped on this: the use of a tax was to disguise this nationalisation of land. But in *Progress and Poverty* all George is saying that the use of a tax will disguise the radical nature of the change: that is the end of private property in land.

Yet in *Protection or Free Trade* George (p.282) says just about the same thing as he had on p.404-5 of *Progress and Poverty* but, this time, he says that the change, disguised as a tax will "make land virtually the common property of the whole people"(p.282).

Even the nature of rent is changed:

"Whenever this point of theoretical perfection is reached, the selling value of land will entirely disappear, and the charge made to the individual by the community for the use of the common property will become in form what it is in fact - a rent" (p.283).

Here common property must be taken to mean land and, thus, rent is now a rent for holding land itself!

Yet in *Progress and Poverty* he had put the method of change to equal rights in possessed land quite differently: "*It is not necessary to confiscate land; it is only necessary to confiscate rent*" (p.405, author's emphasis). That set out the method behind his aim announced on p.328: "*We must make land common property*" (author's emphasis).

But can you have both equal rights and joint rights in land?

Joint Rights or Equal Rights?

This brings us to the all-important question what does George really mean by common property. Does he mean *equal rights* in the use of land or does he mean *joint rights* in its use?

George Raymond Geiger says in his *The Philosophy of Henry George* that the idea of common property does not mean either common ownership of land or joint rights by citizens in land (p.130).

George himself in *A Perplexed Philosopher* also does not seem to think so: "joint rights may be and often are unequal rights" (p.27) and he shows why this is so (p.29).

George finally breaks any connection between the idea of the 'single tax' and the idea that the land belongs to everyone. He writes that that "the rights of men to the use of land are not joint rights; they are equal rights" (p.27).

He goes on to attack Spencer's proposition that "No amount of labour, bestowed by the individual upon a part of the earth's surface, can nullify the title of society to that part".

"Here", he writes, "*the primary right – the right by which 'each of them is free to use the earth for the satisfaction of his wants' – has been dropped out of sight, and the mere proviso has been swelled into the importance of the primary right, and has taken its place*" (p.29).

The original proviso to the inalienable right to use land is the proviso of equal rights. The false proviso is the permission of society. The individual does not need permission from society to use land.

The break with land nationalisers pretty well accompanied George's break with the socialists from 1887. By his last visit to

Britain in 1889 socialists there were well aware of his more radical stance against socialism.

The point of difference lay not in the object of the socialists but in the means. George lays down his means very clearly in his debate with the socialist H.M. Hyndman:

“What we really are is liberty men; what we believe in is perfect freedom: What we wish to do is to give each individual in the community the liberty to exert his powers in any way he pleases, bounded only by the equal liberty of others.”

http://www.wealthandwant.com/HG/debate_hyndman_1889.html

Later he warns the socialists that what is done in the name of the people or even by the people may amount to tyranny. By that time his distrust of socialism was complete. Once society becomes consciously organised, a small number of men George says will inevitably be in charge; that he says is the nature of an organisation.

The Land Belongs to Everyone

That the earth belongs to everybody is a vague idea. It may mean that the land belongs to everyone to use on equal terms – such as the use of a park when we say that it is a public park. It could be the result of a mistaken inference: that if the earth cannot be owned by individuals, it must be owned by everybody.

But then George believed that the earth could be owned by no one. Land is created, not produced and, being unproduced, it cannot be owned.

Land was a gift to mankind but on what terms should it be held? George’s first answer was that it is to be held on equal terms as common property but, somehow in 1885-6 the second meaning of common property as virtual land nationalisation crept in.

However when one tries to give theoretical expression to this confused idea of the earth belonging to everyone, it can become the joint ownership of the land. Here either it or its value can now be broken up into a myriad bits and pieces among the earth’s population and each permitted to use only that part or (more likely) that part of the value that is his. In this guise it is an absurd idea and like all absurd ideas, it is highly dangerous.

What does 'Virtual' Mean?

But the niggling question remains. Will the 'single tax' despite the best of intentions amount to virtual land nationalisation?

George increasingly decried land nationalisation. In *A Perplexed Philosopher* (1892, p.70) George writes that he is not a socialist, "I am not even a land nationaliser, as the English and German and Australian land nationalisationists well know". But even that does not mean that his "plan" would avoid land becoming public property. After all if George himself could make this mistake as he did in *Protection or Free Trade* it is quite possible that his followers will do so.

Among liberationists there is a fear of land nationalisation. There is good reason for this, but the 'single tax' is not a form of coercion; it is ultimately the compulsion of natural law: the compulsion of each trying to achieve the greatest satisfaction with the least effort. In fact, it eliminates much coercion.

CHAPTER 2 THE GEO-LIBERTARIAN VIEW OF LAND VALUE

George's leading theoreticians in the United States have become his critics. What basic views do they share? Here are some of the more important:

1. George's "main error" (p.452) is that he misunderstands who creates land value by mistakenly treating land value as a unified whole; failing to see, for example,
2. That the services that landowners perform may enhance land value, while also claiming that George allows landowners to retain some portion of landownership;
3. A natural resource has an inherent value (price);
4. The value of land belongs in equal shares to a society or to humanity as a whole, and thus

5. The exclusive *use* of land is a privilege for which either compensation to others or an indemnity must be paid, and thus
6. Payments for the use of land may exist and be either user-pays fees or severance taxes, and
7. Natural rights and natural law as ethical concepts may be either dispensed with or be considered unnecessary;
8. There is good reason to try proprietary communities in some form or other.
9. Finally, they may point to some incompetence by George as an economist,

These criticisms fall largely into two broader categories. First, George did not know how land values were produced. As a result rather than rent being one, rent should be disaggregated into three or four categories. George's remedy is not a 'single tax'. Some room now exists for some concessions to the libertarian philosophy. That could be useful in spreading the 'word' among libertarians. Professor Fred Foldvary has suggested that "the 'land value' created by the title holder is really the value of a capital good attached to land" (p.412).

Second, geo-libertarians adopt what has been previously described as the aberration to which George was converted in 1885-6. This was a twofold aim of the 'single tax' to collect ground rent while maintaining that the earth belongs in equal shares to everyone. Rent is now a rent for holding land; it is a return from a jointly owned land.

Production the Source of Rent

Let us deal first with the claim that land value should now be thought of in a different way. Kyriazi (p.454) says that traditional Georgists do not see that it is those who give utility to land who create land value. Instead they believe land value comes from the bidding for land, or from population.

This is an important point so it should be spelt out. Kyriazi writes

"But there is, in fact, no comparison between the act of, say, creating adjacent land value by putting in a subway stop, and increasing its value by bidding on it. That portion of the population consisting of (productive) people with money to spend, along with the fact that land is monopolised, together create the demand and scarcity value, but certainly not the utility,

which is the product of individual human labour and thus properly belongs to specific individual creators” (pp.454-5).

So: traditional Georgists will see land value as coming from the bidding for land. That is to “conflate production with demand”. That is, it is production that creates land value not demand.

Geo-libertarians infrequently use the word location. Nonetheless there is no reason at all why they should not. The argument is simple. Any location chosen to bid for is a position only made valuable by certain capital and services. When someone bids for land he or she is bidding for access to certain production, that is, capital and services. Land values radiate out as it were from these “sources”. The bidding that occurs is in response to these sources and measure their land values. After all, do not traditional Georgists say that it is not land that has land value but its environment?

This source of land values necessitates a more complex treatment than given by Henry George. Land values must be divided among their sources of production. With computer programs this is quite possible.

Separate Sources of Land Value

In the view of Nicolaus Tideman and Florenz Plassmann (p.402) there are *three* sources of land value. “Three sources of land rent can be distinguished: nature, public services, and private activities on surrounding land”. Rent from nature is to be shared equally among citizens. “The component of rent that comes from the provision of public services is the natural source of financing public services” (p.403). The rent from surrounding “private activities” is “most efficiently employed rewarding those activities” (ibid.).

Harold Kyriazi (p.453) on the other hand has *four* factors “that contribute to the utility of any particular parcel of land”. These factors are “nature-created and three man-made types: government created externalities, privately created externalities, and privately created internalities”. Kyriazi explains that ‘externalities’ refer to “the effects on neighbouring land”. For instance, a subway stop (p.454), or the benefit to a restaurant owner of “foot traffic” created by the next-door department store (p.453).

Why did George make this error, an error that is “forgivable”? It is that the means were not there to compute the shares of land values going to the separate “highly ‘land value productive’ individuals” . So he gave the land value as a whole to “the working class” (p.455).

Finally Kyriazi calls forth an array of highly credentialed scholars to support him though the leading geo-libertarians are as he says Fred Foldvary and Nicolaus Tideman (ibid.), to which I believe we should add the late Robert Andelson who passed away in 2003.

CHAPTER 3 SOME PROBLEMS WITH THE GEO-LIBERTARIAN VIEW OF LAND VALUE

Kyriazi says that those Rothbard’s disagreements with Henry George and with geo-libertarianism comes down to three misunderstandings (p.456):

1. Rothbard did not understand “the spatial externalities attaching to land use”; that is, he does not understand that, in Kyriazi’s view, much of land value is not created by the individual ‘owner’.
2. He did not think the components of land value could be separately calculated; and
3. He did not appreciate that, while there is an “enormous similarity” between local governments and other private owners and managers of areas of space (hotels, shopping malls, amusement parks etc.), there is also a large similarity between the power wielded by governments and that of ultra-powerful private landlords “that would occupy Rothbard’s anarcho-capitalist utopia”(ibid.).

George's 'Main Error'

These objections give rise to the answer to George's "main error" (p.452), the very error that misled Rothbard when he grappled with Georgism. George's grave error is his misunderstanding about *who creates land value.*" (p.453).

What then does create land value? As we have seen Kyriazi and Tideman and Plassmann share three components of geo-libertarian rent: nature-created; government-created; and private locally created. To these Kyriazi has added privately created internalities. Foldvary seems to agree with this and adds that nature rent is not man-made and "belongs in equal shares to the members of some community, if not all humanity" (p. 415).

A couple of things are noticeable. First, while Plassmann and Tideman have a preference for the *availability of services*, Harold Kyriazi has a preference at least in his examples for the *availability of certain capital*. One is the presence of labour, the other the presence of capital. Let us say they agree it is the presence of capital and labour.

Let us assume too that we are talking of a Georgist society; that is the absence of a scarcity of land or employment.

The Problem of Distribution

One problem is obvious. It is the distribution of this rent. Many otherwise convinced of Georgism, are unconvinced about the teachings of Henry George because they believe it is impossible to discriminate between rent and improvements. But here we have an additional problem: the distribution of the rent among three or four "sources".

Even assuming they are right to have these separate recipients of rent, it is hard to think computer programs can do the distributing. They have not yet done so and considering the complexity of productive social interactions, surely the critics would have been given even more reasons for doubt. Kyriazi himself may display some doubt himself. He says that "to the extent that the value of privately created utility can be determined, it should go to its creators" (p.453).

The Recipients of Rent

Kyriazi had written

“That portion of the population consisting of (productive) people with money to spend, along with the fact that land is monopolised, together create the demand and scarcity value, but certainly not the utility, which is the product of individual human labour and thus properly belongs to specific individual creators” (pp.454-5).

Who are the “specific individual creators”? Beyond government and coming to private activities (leaving aside individual landowners), who are the “specific individual creators”, these “highly ‘land value productive’ individuals” (p.455). They would seem to be entrepreneurs or owners of capital such as high-rise apartments, shopping malls or department stores. Kyriazi is vague about this, saying of private created externalities that “[w]e need not here delve into the specifics” and that we should aim at “a somewhat rough division” (p.467). Just how would it be possible to calculate the value of the effects of producers upon their community?

The Moral Rule

Then there is the problem of the rent going to government. If rent should go to their creators then why does not the rent stemming from government infrastructure go to public servants?

After all, Kyriazi enunciates a rule that is familiar to Georgists.

“to the extent that the value of privately created utility can be determined, it should go to its creators – the moral principle being that the one who creates should be the one who owns. Likewise, government at all levels should be paid out of the value it creates” (p.453).

If the destination of rent is to its producers, why should they surrender it to the community? As Professor Foldvary writes rent from “private activities on surrounding land is most efficiently employed in rewarding those activities” (p. 403). It seems Kyriazi wants this rent to go to local government.

There is an exception. Both Foldvary and Kyriazi agree that it what is “nature-created” rent is not man-made and, thus, it should go to everyone equally. But why is there this exception to the moral rule? This rule tells us who deserves rewards. It is those who have created them. But have human beings

created the “nature-created” rent? If reward depends on effort why do human beings deserve this rent?

This is a similar problem that Spencer Heath had. First, he claimed that landowners own rent because of what their activities produce, then he claimed that landowners own rent because they produce civic goods and take some part as earnings. But, if they own land why should they spend its value for the benefit of the community?

Another problem is ‘double-dipping’. Those engaged in ‘private activities’ or government get rent but they also get wages for the same labour.

What looks at first to be a small point in the setting out of the utilities is the mention of public services or public infrastructure. Kyriazi has given us by way of example the effect of a subway on the land values of the adjacent area. We might from this imagine land values to radiate from the subway station until we ask why the subway stop was built? Surely the stop was built in *response* to public need. If it has value is not its value established by the desires of those that want to use it?

Plassmann and Tideman say that research has shown that “[i]f people have similar tastes, public services will increase rent by an amount equal to the value that the service provides” (p.403).

That must be so if the ‘moral rule’ is to apply. But what if the land value produced is greater, even far greater, which other research (the Jubilee Line in London) suggests? Also, this reward is contingent on “if people have similar tastes”. What if for some reason this taste fluctuates?

This brings us to a crucial point. It is said that department stores create “foot traffic”; rent radiates land values out from this department store and people bid against each other to get near it. But what if it is the other way round? The rising population at a certain stage causes centres or nodal points of population that hold a lot of “foot traffic”? And, when it is large enough they can maintain department stores?

Capital usually follows location; it does not create a location. When an entrepreneur takes a risk, the risk is that the capital may not attract users.

As just one example, Macy's was founded in 1858. The population of New York in 1860 was about one million; it had doubled since 1850. By 1870 the population of New York has been provisionally given by Demographia as about one and a half millions. In 1871 Macy's was enormously expanded. At that time New York's urbanised areas was only 25 square miles and its population density was 57,720 per square mile!
<http://demographia.com/db-nyuza1800.htm>

The geo-libertarian view is that land values radiate as it were out from the location of important services to residential land. However, one could perhaps more persuasively argue that there is a reverse radiation. Those who live in residential areas have many choices about where to live; those that provide services used by all members of the community have far less choice. These must be advantageously located at 'hubs' where road, rail services and other basic services exist. In fact, why does not a railway station produce a department store?

Doubtless Macy's, for example, paid for proximity to a congested population and to its suppliers. We say Macy's. But when we get past that name we come across individuals each contributing knowledge and skills that make Macy's and every other business work. Now we are again talking about the general population who are now the workers.

The truth is that *everyone* seeks a location advantageous to his needs. Businesses need customers and customers need businesses. Land values form out of enormously complicated patterns of inter-relationships. The one thing that they have in common is that each has chosen a point that we call a location convenient to his needs. It is those myriad points, land viewed as locations, that hold the value.

And assuming we have a Georgist society, from where did the rent come to build the subway system or to employ its public servants? Have not Foldvary and Kyriazi put the effect before the cause when they say that it is this capital and these services that radiate land values and the incoming settlers bid for them?

In effect, the geo-libertarians confuse individuals working in businesses with the same individuals living as residents.

The so-called Savannah Story in *Progress and Poverty* has the right principle writ large. To take the first of the myriad of examples (p.236): the first immigrant to the plains has difficulty in getting what he wants, the best spot (George has made fertility uniform). But then the second immigrant has no difficulty at all; it is next to the first immigrant. One important reason is because two men located as neighbours may easily do what is impossible for one man. Both share the desire to achieve something with the least effort. This principle governs every economic decision made, until, as George suggests, eventually a city like Chicago arises on the first settler's land. Did George really assign land values to society only because he lacked the means to assign them to separate utilities? (p. 455).

Needs comes first and then the needs are met. Kyriazi may sense this problem. He writes

"Such [Georgist statements about population] equate those who increase land value by making it more useful with those who add to its value merely by bidding on it ..." (p.454).

Here bidding adds land value to that of utilities. The only other reading is that by creating more landowners we have created more radiating land values!

Geo-liberationists who have taken the views of Rothbard and Heath that it is landowners who create land values, chastised them for going too far but then come to a compromise wherein George was 'forgiven' because he could not have known how to divide up the rent. The proprietary community is a popular concept with geo-liberationists simply because here proprietors are virtually the government, capitalists and entrepreneurs. George's *main error* had been to confuse Rothbard because George could not see this. It seems like George had also confused Spencer Heath!

Except for the addition of nature-created, we have come back to Rothbard's view, but now it is *all* landowners, *all* capitalists and *all* entrepreneurs who create land values.

Kyriazi writes that his view is a “slight deviation” (p.455) from traditional Georgism but, really, it turns the whole Georgist rent system upside down. Instead of population in its manifold roles producing rent as a *collective*, geo-libertarians have shifted rent receipt to corporations and individuals. (Even government could now be considered as a series of corporations.)

But in the Georgist theory no people means no rent. Covid-19 has left some city centres as desolate wastes. Fear during the Second World War denuded and devalued wealthy beach-side suburbs of the Gold Coast near Brisbane as it did the foreshores of Sydney Harbour. Recent construction of tramways, along with dust, noise and disruption, left one major Sydney thoroughfare practically without pedestrians and practically without rent for over a year! Interestingly, government stepped in to subsidise retailers (really landowners) to the tune of \$175 m.

For George the source of rent was the presence and the activities of the community as a whole. Its disbursement of rent was equally simple: it was to be used by government for public utilities, social amenities, and for the care of those unable to care for themselves. Any attempt to do otherwise will prove that it cannot be done accurately in any other way.

Nature-created Rent?

Foldvary speaks of nature-created rent that “belongs in equal shares to the members of some community, if not all humanity” (p. 415). Rent from natural features is a misnomer. Market value producing rent comes from individuals seeing some natural feature as a supra-marginal advantage. George cites oilfields in Pennsylvania that were available but practically valueless for years. Society had no need of them.

As for natural elements, George sees no inherent market value in nature. He defines their value as the labour value on marginal sites used to produce them. Setting prices for the multitudinous ‘services of nature’, gifts of nature, is now rampant in the Georgist movement. We must conclude that the availability of nature, capital or services has nothing to do with rent *without* the perception of their utility.

CHAPTER 4 GEORGE'S OTHER 'MISTAKES'

Now we come to some of George's "technical errors".

The Allocating Landowner Objection: George "doubtless failed to recognise that part of the rise in land values reflect owners' constructive allocation efforts" (p.551).

This argument is the perspective of liberationists but surprising when one first meets it from Georgists. It has been examined already but, considering its importance, we could take it up from a slightly different angle.

This objection by Professor Andelson suggests the picture taken from *The Wealth of Nations* of a great landowner allocating his farms among his tenants. The argument by Smith is that the landowner is more highly motivated than the government to get the best price for "his" land. Thus, without private property that gives the owner an interest in the land rent, values would be less. But an important point here is that Smith was talking about existing tenants of a landlord not about those entering into negotiations to lease or 'own' land.

To ensure that landowners carry out this allocating role under the 'single tax' Andelson recommends that all landowners be allowed an amount large enough "to induce them to retain title even when not developers or users" (p.552). This would be in the nature of a 'brokerage fee' (see [Appendix](#)).

Andelson however also says that allocation could be just as skilfully done if there were no private titles to land. The entrepreneur wanting to use land could lease it from the public, one supposes by a tender process. The libertarians had already argued that the 'single tax' system would soon pass on to land nationalisation. Andelson has imagined this happening and he offers no objection.

Whereas one object of geo-libertarian policy seems to be to bring Georgism closer to libertarianism, Andelson's is ready to revert to land nationalisation (ibid.). That may well confirm the suspicions of the liberationists who believe that the object of 'single taxers' is virtual or even formal land nationalisation.

Yet a builder turned developer is still a builder and there are many builders who are not speculative builders. There are also project managers. Are these builders going to stop earning a living if this unearned income is not there? Finally, if there were a shortage of builders, the building trades have many who might fill the gap.

The Disney Land Objection

So let us look more closely at this classic example. It is claimed that Walt Disney significantly increased land values in the local area by giving a new and superior use to land. Attention is usually drawn to the unpromising location, perhaps even an unlikely location.

Generally speaking many look on in wonder at his decision but let us see it from his point of view, the point of view of someone wanting to build an amusement park. We may as a result say that Disneyland was determined by the place and time.

First, the area Disney needed was very large, at 160 acres it was equal to a small farm. Thus he *had* to build where land was available and cheap. In 1954 Walt Disney purchased this land in an area of orange groves. He *had* to have a large supply of water and such a supply existed near the town of Anaheim. The site chosen *had* to be within reach of a large centre of population and preferably close to Hollywood where there was a plentiful supply of skills. The site chosen was about 30 km. from Los Angeles. It *had* to be well served by transport, and it had a highway and railway connection with Los Angeles. Observation shows that amusement parks in Sydney are also all built on its outskirts in otherwise rural areas and within reach of major highways.

Disneyland was built to take advantage of a time when car ownership in the United States was almost universal, when families were proliferating, when incomes were rising and leisure time increasing. It was built in a period following a long period of sacrifice, when there was relative peace and security

and, thus, where there was a penchant to enjoy a 'good time'. Disneyland filled a social need but it was also the product of that need.

Since land values are not set by any special or unusual use of land but by the major activity of the area, it is reasonable to think that, for several years Disneyland enjoyed a property rate holiday, an ample reward in itself.

The idea of Disneyland may have been that of Walt Disney or of the small group around him, but the embodiment of that form given by the idea was supplied by skills and talent from a multitude of technical and creative professions superintended by competent project managers.

We say that Walt Disney built Disneyland. We also say that Pharaoh Khufu built the great pyramid or Napoleon won the Battle of Austerlitz. As George writes (p.390) in *The Science of Political Economy* "A modern ship, like a modern railway, is the product of modern civilisation". Is Disneyland any different? Disney may have been the shipowner and even the Captain but without those to build the ship and crew it there is little a Captain can do and even less that a shipowner can do!

The totality of such spontaneous co-operation as George puts it brought Disneyland to life.

More Criticisms

In this final chapter of the *Supplements* (No.35) Professor Andelson endorses other criticisms.

- 1. George in Progress and Poverty refused "to apply the law of diminishing returns to the employment of labour and capital on land" (p.550).***
- 2. George failed adequately "to recognise that technological and social improvements are reflected in cheaper and better goods and hence in higher real wages" (p.551).***

3. His treatment of Malthus is weakened by "his refusal to apply the law of diminishing returns to the division of labour" (ibid.).

At first glance there seems to be a contradiction: (1) and (3) seem to suggest that George has been too optimistic while (2) suggests that George was too pessimistic about the future. Professor Andelson makes these allegations but says little more than this.

It is true that George avoided Malthusianism (and Andelson tended to be a Malthusian), and that he avoided the 'iron law of wages' given by the constantly retreating margin. But George avoided these conclusions precisely by emphasising the progress of population, invention, and manners using in part precisely the argument given in (2).

The effect of material progress on the distribution of wealth is dealt with in *Progress and Poverty* in Book IV, and especially Chapters 2 and 3. He is describing the tendencies of the time (progress) which he later argued were being frustrated by the counter-tendencies of private property in land (poverty).

In discussing progress George agrees that increasing population will cause land of inferior quality to be used, and thus raise rents (p.228) but he also points to other and contrary tendencies of progress. These are the effects of the growth of population made immensely more productive by co-operation, the 'division of labour', the proliferation of inventions that result from this division of labour, and the improvement in manners and government.

George deals with these influences separately but for the sake of brevity we can combine them. George reasons that, as long as Man's desires remain unsatisfied, any saving of labour and capital in one area of employment will release that quantity of labour and capital saved to satisfy other desires. He thus concludes that progress in one sphere will increase the production of wealth generally (p.246). He calls this the principle of the 'interchangeability of wealth' (ibid.). The saving of effort will release labour and capital to generate new industries, or expand existing industries to satisfy refinements of taste. New land will come under use and thus, given the

Ricardian rent-theory, rent will increase. So, as he writes, a new invention such as the steam plough will indirectly increase rent (p.249). This increase of rent will come from either the more intensive use of supra-marginal sites or from the fact that the productivity of the marginal site does not fall in the way predicted by classical economists.

Marginal Sites

George argues that aggregate average production will rise despite the resort to lower points of production. Indeed, George can hardly conceive of it falling (pp.233-4). While a proportion of productivity would be lost from resort to the next and more inferior site, the added productivity given to the margin by an increasing population and advances in technology on superior sites might very well enlarge its product.

A second option is that the margin will not fall because any loss of productivity at the margin may be exactly balanced by the effects of enlarging productive power of supra-marginal sites. A third option is that there may be an overall loss in the *quantity* of the product. But, he argues, the smaller quantity might easily purchase more because of rising aggregate average productivity on superior sites (p.234). His view of material progress is thus generally optimistic.

(In reading George one must be careful to gauge when he is referring to a society wholly based in free land and when he refers to one suffering the impediments to progress based on enclosed land.)

George's Conclusions

So: without private property in land (and to some extent even with it) diminishing productivity at the margin may well be retarded or reversed by expanding population and improvements in capital. This tendency is reinforced by the possibility of more intensive use of supra-marginal sites (p.233). Indeed, George sees rent, rising on intra-marginal land from its special utility, as the more important source of the increase in rent (p.243).

George speaks often of increasing effectiveness of labour. Now, since George adhered to the labour theory of value, talk of producing goods with less labour is really the same as talking about the increasing cheapness of goods or, if you like, the

rising purchasing power of wages. He speaks also of the rising average productivity of labour, what else can he mean than that by the law of competition goods have become cheaper or what is the same thing that real wages have risen?

Speaking of the tendencies of urbanisation (without the factor of 'private property') George writes

"But unless the descent in the quality of land is far more precipitous than we may well imagine, or than, I think, ever exists, the average production will still be increased, for the increased effectiveness which comes by reason of the increased population that compels resort to the inferior quality of land attaches to all labour, and the gain on the superior qualities of land will more than compensate for the diminished production on the quality last brought in" (p.234).

So: there will be a tendency of material progress to indefinitely delay any fall in real wages. It is a point George repeatedly stresses. This is a considerable revision of the 'law of diminishing returns to labour' as it is taught, and it might explain some rise in real wages in the nineteenth-century.

Thus these three criticisms by Andelson have no particular validity.

'Traditional Georgism' Rewards Unequal Efforts

Kyriazi offers a 'thought experiment' that will uncover the errors of both Rothbard and "traditional Georgism" in which Henry George is included (p.462).

To see this Kyriazi creates "an unrealistically simplified case". There is a community where "everyone uses equal amounts of equal quality land in the same way". Rothbard would then be right; "everyone would have equal use of the earth and would be generating equal amounts of positive spatial externalities", that is, equal amounts of land value. Here "land rent collection and distribution would be unnecessary to secure equal rights" (p.462).

But in a second case within the same jurisdiction there is a second community. While the first is industrious the second is lazy, or at least less productive.

"In this case, traditional Georgism, by collecting land rent jurisdiction-wide and distributing it equally, via government expenditure, would err in taking value created by the industrious and giving it to the lazy" (ibid.).

On the other hand Rothbard's system would still be "ethically and practically sound". Why is this? It "would ensure that he who creates is he who owns" (ibid.). To explain a little more: the labour of both communities are different but, in each case, each keeps what "land rent" they have created.

Let us look at the first case. Here it is said that each has "equal use of the earth" and so they are "generating equal amounts of positive externalities" (ibid.). That is, they are each generating an equal amount of rent. Now, rent is not set by use; use, in fact, is not a consideration. Rent is set by differential advantages of location. We are told that their plots of land have the same quality. The conclusion on the Ricardian model used by George is not that there is an equal amount of rent attached to each plot of land and thus it is unnecessary to collect and distribute it; there is no rent at all. If there were some interaction within the community that made some locations more advantageous there would be rent.

Let us now look at the second case. In one community everyone is industrious; the second is not. Kyriazi says this is unfortunate for those that are industrious because much more rent is generated by the industrious use of land than by its lazy use. That he says is the case in "traditional Georgism".

But, for the same reason as given before there is still no rent. That is because the rent does not come from use but from the location and the quality of the land has not changed. We are not told enough to say more.

But, let us assume there is rent. In "traditional Georgism" would it be spent by divvying it up among the whole population? Not really. It would be spent where it is needed and that, clearly, is almost totally where there the industrious of the community are creating economic development within it.

CHAPTER 5: SOME PROBLEMS WITH THE GEO-LIBERTARIAN VIEW OF ETHICS

We have looked at George's "main mistake", his failure to see that rent was not the result of the several sources of capital and service provision. The conclusion given there was such a division of rent is impossible to compute separately and there are errors in the reasoning that do not justify the conclusions geo-libertarians reach.

But there is a far more important issue. This is the issue of the ethical basis of Georgism. This revision of George's teaching is most exhaustively given in Ch.35 by Robert Andelson. He calls it Neo-Georgism.

The Ethics of Neo-Georgism

Professor Andelson defines Georgism as virtually without its basic ethic of inalienable rights and the rule of natural law. He is confident of the acceptance of three theses:

1. *"Land rent absorbs a disproportionate share of wealth.*
2. *Rent is a social product.*
3. *The social appropriation of rent has no adverse effect upon production, but rather the reverse" (p.553).*

Georgism Without Natural Rights

But what of its ethical basis? Andelson tells us

"I am persuaded that the system, in its economic essentials, can stand without the doctrines of natural law and natural rights" (p.554). And

"The fact is that [George's distinctive policy proposal] does not really depend upon the deductive structure that George developed in Progress and Poverty to support it [and] can be individually supported far more readily than can the total deductive structure [that] George advanced" (p.553)

This really means I think that the economics profession will not accept George's methodology and so Georgists will not accept it. They will rely almost exclusively on what can be induced from empirical evidence

Social Instrumentalism

In other words, natural law and natural rights are unnecessary to the philosophy of Henry George. Andelson has some sympathy for the doctrine of social instrumentalism, which assumes there are *no* natural rights or natural law.

The view appears in George Raymond Geiger's *The Philosophy of Henry George* (1933) at p.554. This was originally a doctoral thesis written under the supervision of the American pragmatist and famous educator Professor John Dewey.

Geiger's reasons for dropping the terms natural rights and natural law are given in just one paragraph. It is introduced this way:

"There must first be taken for granted, in any approach to such a concept [of natural rights], an awareness of the complete disapproval of the traditional formulation of the doctrine" (p.492).

Next come the 'arguments' (p.493) which are a bare list of objections. Natural rights are "metaphysical"; the 'individual' is "questionable"; 'natural' is "a very poor methodological instrument"; the concept is "unempirical" and "intuitive"; such rights are "too rigid, too absolute" and, finally, the doctrine is only an "historical phenomenon", a "political weapon" used by "eighteenth-century liberals".

But Geiger is not satisfied with the alternative, an historical or descriptive approach to economics that merely describes how the economy works. He takes a great deal of time putting forward some ethical equivalent (pp.479-562). This is *social instrumentalism*, or a theory of *values*. As I understand Geiger's argument here these moral values are not absolute like natural rights but they can be trusted enough to be either tried as hypotheses to guide policies and to be judged by their results, or as instruments by which to assess existing economic or political systems. In this 'scientific' way "metaphysical" concepts are turned into empirical concepts.

Some Objections to Experimenting with Truth

Natural rights and natural law are reduced to hypotheses the subject of empirical experiment. History, he says, has no account of there ever being equality (p.503). That is not a good start!

Values like equality or liberty, Geiger says, should at least be given a chance to see whether they 'work'. But if that is the way to look at, say, natural rights, should not this concept of natural rights be treated as an hypothesis? Why reject without testing it?

According to Geiger values are instruments which *may* show us by their useful results the way to 'better [serve] humanity'. But is not seeking 'the better life' seeking an absolute? Ultimately, is not 'the better life' an intuition? Geiger seems to dismiss innate knowledge, then bring it back in a vaguer form. Geiger has tried to get morality back into economics by the back door by making human values testable. Morality may be empirically useful.

But do we need empirical evidence to accept values like liberty and equality especially as they are described by George in the final pages of *Progress and Poverty*?

What is the object of this ethical empiricism? Geiger says that it is that "It is objectively 'right' that an individual should develop his powers" (p.503) Geiger uses the word 'objectively' to turn a moral imperative into science.

How will 'equality' or 'liberty' ever be fought for if they are approached as 'variables' or 'hypotheses or indeed as 'social instruments'? Will I ever care about them sufficiently to do anything about them? That absence of emotional attachment is demonstrated by Geiger himself when he calls equality a "fiction" since its effects are unproven.

As George argued, society is not and can never be an experimental laboratory. So what use is this 'practical' philosophy that aims to apply 'scientific method' to social problems when it is impossible to do so? Social instrumentalism is pure fancy. The closest we may come to the conclusion that liberty and equality 'work' is through historical study. True, most often they have been defeated by ignorance and greed. But

does that show they do not 'work'? It is nice to see that equality and liberty have had positive externalities but that it is not why Great Teachers have extolled them? How are we going to get these values without a prior deep commitment to their rightness and to the faith that if these values are right they must also be already expedient?

Henry George in the *Conclusion* to *Social Problems* wrote that "We have made, and still are making, enormous advances on material lines. It is necessary that we commensurately advance on moral lines" (p.241). Can that advance occur if we reduce ethics to a scientific hypothesis?

George's power came through this commitment. In 1897 he even called his mayoralty campaign The Party of Thomas Jefferson, a campaign based on Jefferson's powerful declaration about natural rights.

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.--That to secure these rights, Governments are instituted among Men ..."

Progress and Poverty is nothing more than a vindication of natural law and natural rights where Equality defines the possibilities of Liberty.

Professors Andelson and Geiger agreed that George's teaching could rest on its economic essentials, really its fiscal theory. But, in the *Foreword* to Geiger's book Professor Dewey seemed to express a doubt. He writes that natural rights "seem to be fundamental in the social philosophy of Henry George". So Professor Dewey does not reject it; he rephrases it to rescue it from the language of an earlier time. This, he writes, can be done "without any serious injury". How is it restated? Dewey writes

"economic phenomena, as well as legal and political, cannot be understood nor regulated apart from consideration of consequences upon human values, upon human good; that is, apart from moral considerations".

Apart from its watery formulation Dewey has got George's teaching round the wrong way. George's public policy is not a practical policy that has useful moral consequences. His public policy has useful practical consequences because it is moral. Unfortunately in an age when only 'Science' was to be believed,

George was said, for example by Alfred Marshall, to be unscientific.

But this missed the point. Like all master teachers Henry George wanted to powerfully awaken and give a direction to conscience. One thing that can be said about Dewey's restatement is that it could move no one.

The Princeton historian Eric F. Goldman* wrote in 1954 at the time of some renewed interest in George

*"For some years prior to 1952 I was working on a history of American reform and over and over again my research ran into this fact: an enormous number of men and women, strikingly different people, men and women who were to lead 20th century America in a dozen fields of humane activity, wrote or told someone that their whole thinking had been redirected by reading Progress and Poverty in their formative years. In this respect no other book came anywhere near comparable influence..."**

It was not social instrumentalism that had made Professor John Dewey and George Raymond Geiger followers of Henry George.

George's Deductive Method

What they were trying to alter was George's methodology, his deductive reasoning. In *The Science of Political Economy* George argued that empiricism or the inductive method had taken control of economics over the deductive method only after selfishness as its first principle failed to explain the facts (pp.92-3). This inductive method came with the *historical* or *descriptive* school. George described this as 'new school' and about as full of confusion as the 'old school'. This is because there had been a failure to establish first principles (p.94).

Importantly, George writes that the inductive method is not needed when first principles have "already been validly ascertained". Then the deductive method "constitutes the most powerful means of extending knowledge that the human mind can avail itself of" (p.97). To George social instrumentalism just may have been an act of intellectual vandalism.

Georgism Shifts from Natural Rights

This disappearance of natural rights and natural law to be replaced by a strictly economic Georgism seemed to pass into

*Edward T. O'Donnell, (2017), *Henry George and the Crisis of Inequality: Progress and Poverty in the Gilded Age*, Columbia University, Press, p.275.

Georgism almost unnoticed. In a speech to the Chicago Single Tax Club c.1933, under the title of *Henry George and Modern Philosophic Thought*, Geiger talked up the similarities between *pragmatism* and George's teaching. But Geiger made no mention of how this philosophy had abandoned natural rights. It just was not there anymore.

However, his description of pragmatism as it is usually understood would have immediately suggested to some in his older audience the enormous gulf between these philosophies. Geiger says, for instance

"I do not like to use the usual phrases in describing this phase of pragmatism, those which state that pragmatism is philosophy made practical, that pragmatism judges a philosophic conception by the measure in which it works [in practice] ..."

The economics profession had quickly thrown off Georgism though, to do so, it had to dispense with classical economics as well. As George observed in *The Science of Political Economy* (p.208), since 1880 there had been a sudden and general abandonment of classical economy. Coincidentally *Progress and Poverty* appeared in 1880.

And what of social experimentation? That was fashionable, especially in the United States in the 1920s and '30s. One such theory was eugenics. *Brave New World* published a year before Geiger's thesis shows social experimentation gone mad. But eugenics was only fashionable until social conscience was stirred.

It was Adam Smith who had dismissed the aim of physiocracy (and of Henry George), "perfect liberty and perfect justice", as "metaphysical" and any discussion of it as "disagreeable" (Bk. IV, Ch.9, p.168 and Bk.V, Ch.2, p.311).* Was it fear?

If certain principles are available to the intellect from which to deduce policy why should effort be wasted trying to trace the consequences of random policies in the search for principles? It all seems opposed to the aim of economics, saving effort.

*Geiger's dismissal of natural rights with the statement that to examine "a cadavre is to be suspected of ... the resurrection of the dead" (p.491) is almost the same remark as George Bernard Shaw's in *The International Review* of August, 1889: "[George's] economic formula is a mere academic fossil dug up from the Quesnay-Mirabeau layer ..."

Economics an Applied Science

While physical science may be without any ethics except its own search for truth we do expect it to be applied ethically. This same stricture applies to economics. Economics is also an applied science. The presumption of the economy as just is not enough.

The law of rent applied ethically was the 'single tax'. That was not "metaphysical" and discussion of where it might lead to is far from "disagreeable". Even Smith presumes the 'invisible hand' to be providential. Indeed, the history of economics shows that ethical tests have always been applied to public policy even if indirectly. Progress has been made just as special rights were eliminated.

A New Moral Base: Equal Shares

Geiger's *The Philosophy of Henry George*, for all its many merits, failed to fully present the philosophy of Henry George. But geo-libertarians go further. They lay down a new moral base for Georgism.

Tideman and Plassmann tell us

"But Henry George's main motivation for proposing a single tax on land was derived from a normative argument: land belongs to everybody in society ..." (p.390).

Around this fallacy they build a new ethics.

Let me start with an incidental point. Tideman and Plassmann write

"When we speak of someone monopolising a discussion, we mean that the person is appropriating for himself more than his rightful share of speaking time, leaving others with inadequate shares" (pp.403-4).

If we look further we see that this perhaps trivial remark reveals their idea of what equal rights is all about. There are equal rights in any discussion, as there are equal rights in a myriad of other social situations. But equal rights do not mean 'equal shares'. Unless there is some formal rule imposed it means that everyone has an equal right to enter the discussion. Some may not want to use that right very much, some not at all. Like equal rights to use land, land is not divided into equal shares.

Here we find the idea used about site revenue.

Knight says quite rightly that “with respect to land, it is said that every human being has an absolute right to access to the earth” (p.402). He continues that the right is subject to paying for it. The alternative, government disposal of land, would end up the same way. Knight has simply misunderstood the difference between land (free) and a supra-marginal location (cost).

However, Tideman and Plassmann do not approach it that way. They say that government already gives permission to use land and Georgists agree with this. That actual statement is

“The existing system of land titles involves getting permission from the government in that you must have a land title issued by the government. George’s supporters endorse the continuation of that system” (ibid.).

Why permission? Why is this transfer nothing more than a clerk registering a new land title? Ah, yes, land belongs to everyone. But more importantly, they take Knight to say “that it is impossible to give all persons equal rights to land” (p.401). They disregard the absolute right to use land and then proceed to say how equal rights *is* possible.

“In terms of legal theory, George’s supporters propose that the rights of all to the soil be protected by a liability rule ... The rights of all to the soil would be recognised as the rights of those with less than their shares of exclusive access to land, to receive compensation from those who have more than their shares. If everyone who has more than his or her share of land is required to compensate those who have less than their share, the selling price of land becomes approximately zero ...” (p.402).

So Tideman and Plassmann have replaced the first principle of Georgism with another. This is the theory of equal shares. Why does everyone have equal shares? It is because the land belongs to everyone in joint rights.

Some dubious logic takes the argument further.

“Knight is right that acceptance of the idea that rent belongs equally to all persons implies that all humanity must be accorded equal rights to land” (p.393).

The argument is that an equal right to rent establishes the proposition that we have an equal right to land. Yet rent and equal rights to land are founded on different ethical principles.

By each seeking only to better one’s own condition by production individuals also produce a surplus fund for society.

That was beyond anyone's intention and probably even their knowledge. How then can there be a claim of ownership of something which, when the law of rent is understood, shows they as individuals did not produce it. Why should it be shared individually?

Consider: let us take two communities of equal numbers of individuals and equal capacities and exertion. One community is scattered while the other community lives in close proximity to each other. With equal application the product of the concentrated community far exceeds the product of the fragmented community. There are two surpluses from the same application of labour. Surely, the surplus in each case is attributable, not to individuals, but to the proximity of each to the other, to how the two communities are located with respect to each of their members. It can be seen as a 'social product' or simply as a gift by nature to society.

In any case, George saw it as a fund given by nature for the support of society. It convinced him of the beneficent nature of natural law.

The complex theory of equal shares (earthsharing); the theory of a giant accounting system is a long way from George's simple theory that one has a right of access to land and that by paying for its location one has that access to land on equal terms with everyone else.

Disaggregation of Rent Vs Equal Shares

"[Rent] is produced by a combination of nature, public infrastructure, and private activities on surrounding land. If a person has exclusive access to land of greater value than others can have, he puts his fellow citizens at a disadvantage that deserves rectification, and a good society rectifies this disadvantage by public collection of rent" (p405, Harold Kyriazi).

This passage ends with the "public collection of rent", but this public collection of rent should not be taken to mean that its purpose is to ensure that everyone gets an equal quantity of land value, since its purpose is not to distribute rent equally among individuals. Its purpose is to obtain a public revenue to meet the expenses of common services and social amenities.

Compensation and Indemnities

Professor Andelson says

“The moral case for land-value taxation is clear enough. It represents an indemnity to the rest of society for the privilege of monopolising something the owner did nothing to create, and the market worth of which is a social, not an individual, product (p.556).

Tideman and Plassmann say something similar.

“You may keep all of the gains that you have accrued through your labour and through your investments in capital, however high these gains may be. But we will require you to compensate the rest of us for any exclusive access that you seek to maintain to a disproportionately large share of natural opportunities” (p.398)

And

“The rights of all to the soil would be recognised as of those who have less than their shares of exclusive access to land, to receive compensation from those who have more than their shares” (p402).

We see that this passage of Tideman and Plassmann shows how in a Georgist society “[t]he rights of all to the soil would be recognised”; that is, the moral base of this society. It recognises that use of land is a “privilege”, a “privilege” for “monopolising something the owner did not create” for which an “indemnity”, which is rent, must be paid to the rest of society.

The trouble here comes back to this giant accounting system where rent is being apportioned among individuals. This explains why compensation and indemnity are prominent features of discourse when geo-liberationists discuss rent. But to base a Georgist society on these sentiments conveys no sense what it is about, which is freedom.

The term “privilege” may have some religious significance. Otherwise it comes from seeing land use as based on equal shares of value and, ultimately on the earth as belonging to everyone. To use is not to monopolise; it requires neither compensation nor indemnities. The moral principle, from being the equal right of access land, has become the equal use of land.

To use better land ‘disadvantages others’. To pay site rent rectifies this wrong! But the use of better land disadvantages no one. In a natural economy those that use better land have *already* paid to get access to it. This system of graduated

compensations and graduated liabilities is hardly the Ricardian system of rent. It is more like a system of redistribution of rent.

Exclusive Use of Land

As we have seen Tideman and Plassmann wrote

“The existing system of land titles involves getting permission from the government. George’s supporters endorse the continuation of this system. In terms of legal theory, George’s supporters propose that the rights of all to the soil be protected by a liability rule, while the rights of the holders of title would be protected by a property rule” (p.402).

It is easy in studying George to miss the point that there is no payment to society to possess land; that is, for exclusive use of land. If there were a payment to possess land those possessing land at the margin would be paying rent. The margin would no longer be rent-less and wages would be correspondingly reduced. Possession of land is just a right peculiar to Western civilisation. The mistake comes from the idea that the earth belongs to everybody.

This proposition is exactly the same as that of Herbert Spencer’s “mere proviso [that] has been swelled into the importance of the primary right, and has taken its place” (p.29, *A Perplexed Philosopher*). The position of Tideman and Plassmann is the ‘joint rights’ position accepted by George in 1885-6 then rejected in 1892.

The Social Benefits of Private Property

Tideman and Plassmann say that Knight was the first to see the social benefits of private property rights (p.388). Arthur Pigou, the successor to Alfred Marshall at Cambridge, had argued that social costs (congestion for example) to land might be avoided by taxation. Knight had argued that on land without owners, users would disregard the costs of their actions on others. Here, however, the “social benefits of private property rights” (ibid.) meant that owners would charge a fee thereby limiting this congestion. The point is argued in my *The Theory of Charges for Common Land*.

The authors agree (p.389):

“Knight showed that the establishment of property rights restores market efficiency and removes the need for government intervention for the ‘social good’”.

They wonder why Knight had not extended the same argument to a fee for land use. A fee for public property in land also yields social benefits. This one imagines is why some geo-libertarians have given the name of 'site revenue' to fees on roads. Professor Andelson has already told us that parking fees are a kind of site rent, a simple extension of the 'single tax'.

Tideman and Plassmann endorse Knight's argument about making roads into property.

"The discussion of Knight's conception of land and his rejection of the single tax emphasised the positive argument for adopting a tax (interpreted as a user fee) on the use of natural resources: such a tax improves the market outcome by restoring social efficiency" (p390).

So: there are taxes on the use of land!

Severance Taxes

Frank Knight argued that land is soon 'mined out'; thus, it must be maintained, so that "Its original and indestructible qualities hardly enter into its value" (p.398). From what Knight says it appears that the 'single tax' will still persist in taxing land that is 'mined out'. Thus, the 'single tax' cannot handle this problem.

Tideman and Plassmann write that this is "an issue to which Henry George's supporters need to attend" (ibid.). Why?

"If land is taxed without regard to this fact, there will be an incentive for owners of land to mine away such advantages inefficiently rapidly. To counter the inefficiency and injustice of having people save on taxes by mining their land, a land tax needs to be combined with a severance tax ..."(ibid.).

Will a land value tax have this effect? It is set here by the features of the land in relation to other surrounding land. It is not set by its features alone. In fact, will not the land value tax fall? That is the Ricardian model. Tideman and Plassmann seem to take up Robert Andelson's solution when he met the same objection to 'land tax' by Garrett Hardin (p.446). Andelson too says "they wouldn't have this effect if they were combined with heavy severance taxes which encourage conservation while reducing the land's market value" (ibid.). But if timber were a long way off being harvested would not its site value in relation to other timberland be reduced?

The User-Pays Society

User-pays is a further attack on Georgism. Andelson writes

“Under a Neo-Georgist regime, everybody would pay society for the use of land, according to its market value” (ibid.) ... Whereas the availability of such amenities as water, sewerage, gas, and electricity enhances the value of sites and ought to be reflected in their assessments, there is no reason why charges should not be made for their actual use. The same may be said of libraries, parks, recreation, and even some educational opportunities” (p.557).

To have such a system takes away the first principle of Georgism because now the use of the common land (roads, libraries, parks, etc.) is contingent on a fee. This is all done under the guise of restoring common rights, that is, equalising shares.

And so from equal shares we come to those compensatory pigouvian taxes rife in certain parts of the Georgist movement. These correct deficits in ‘shares’.

According to Andelson Hardin has really endorsed Henry George (p.446) by proposing, by taxation, to make polluters pay for their damage to the environment. That is really a Georgist proposal because it is the use of taxes to protect common rights within private enterprise. No matter that it actually damages private enterprise.

We find too that parking fees are a Georgist proposal; they are *land rents!* As Hardin suggests its purpose is to ‘temper’ the use of land; that is social efficiency and environmentalism combined. And it goes on. Andelson believes that George would approve industry being charged “at a rate proportional to used commons” (p.447) – a tax on carbon is a tax on air! Finally, Garrett Hardin was really a Georgist because he condemned free parking at Christmas as “retrogressive” (ibid.)!

The policy regarding public utilities set out by Henry George in Ch.17 of *Social Problems* has no place for user-pays charges for basic services and social amenities! Has Professor Andelson really shown that we can do without the ethical foundations that George gave to his system? Rather than user-pays charges for essential services or social amenities, George wants instead that revenue should be spent on them. Clearly, you cannot have both systems. If you did have both systems one revenue system would work against the other!

More Earthsharing Ideas

When as we saw Knight recounts a myriad mishaps and obstacles that befell the original pioneers, sacrifices that entitle their heirs to own rent, Tideman and Plassman in defending George immediately posit a taxi company that successfully lobbies for a monopoly (a special right). A subsequent council, they say, may rescind that monopoly and return this service to a free market. The same argument applies to land. When land ceases to be marginal it “comes to have a scarcity value” for the owner (p.396). As a monopoly land should now be subject to a tax.

But we have already seen that land is not a monopoly because of any uniqueness of a location. Locations are very seldom unique. Land values are not based upon scarcity but on differential advantages. Sites may share the same differential advantages, for example, being equidistant from a railway station, or so close to each other to have virtually the same advantages. Sites certainly do not have the same kind of scarcity as a taxi monopoly!

When Knight says that the ‘single tax’ will destroy the incentive of developers Tideman and Plassmann want compensation

“for any exclusive access that you seek to maintain to a disproportionately large share of natural opportunities”. They add *“then the only risky ventures that one would reasonably expect to discourage would be those directed at appropriating natural resources”* (p.398).

We also see the propensity of geo-liberationists to refer to land as “soil”, “natural resources”, “natural opportunities” and “gifts of nature” when the strength and focus of George’s theory is urban land.

When Knight objects that the ‘single tax’ is impractical because it assumes by “society” a “benevolent world government” Tideman and Plassmann make a startling answer. A world government is not necessary:

“It is sufficient to have a world-wide shared understanding that claims exclusive access to more than its share of the gifts of nature has an obligation to pay into a fund that compensates the nations that thereby have less than their shares” (p.393).

That confirms Knight's argument that the 'single tax' is impractical!

Finally, Plassmann and Tideman say

"Knight is right that acceptance of the idea that rent belongs equally to all persons implies that all humanity must be accorded equal rights to land" (ibid.).

Here we are back to *earthsharing*. This interpretation of the 'single tax' has produced the idea that rent is a 'citizen's dividend' and now the absurd idea for a Georgist society of a guaranteed income. For instance, George explains to Field that rent should not be disbursed directly to able-bodied citizens. What is the need?

PART IV: RECAPITULATION

The Critics

- Critics tend to avoid the ethical basis behind the ‘single tax’. They deal with what they feel is most obnoxious to them, the ‘single tax’; that is a direct attack on ‘private property’.
- Critics tend to take a rural setting as farming, or mining from which to attack the ‘single tax’ and to defend the right to private property in land.
- Their presumption in ignoring the basis of ethics is that ethics must be separated from economics. This allows them to use laissez-faire capitalism, which is a description of the ‘individual economy’ writ-large, as the basis from which to attack the ‘single tax’.

The unfortunate thing is that, in their haste to save private property in land, they have not seen that George was providing a way to save capitalism.

The Geo-liberationists

- Geo-liberationists have devised a compromise with liberationists.
- They have done this by breaking rent into pieces. In each case the man-made pieces of rent are capital and services, proprietors or owners that generate rent.
- As a result they decried the ‘traditional’ Georgist view that rent comes from the presence and activities of population.
- Rent, with the exception of that which is ‘nature-created’ or government-created rent, becomes not a ‘social product’ but an individual product.
- In doing this they have come closer to the liberationist position that individual landowners own rent as allocators

of sites and as entrepreneurs exploiting new opportunities in old sites.

- Another 'contribution' is to replace Georgism's basic principle of equal rights with a concept of joint rights.
- This has introduced the idea of permission to use the earth.
- Instead of rent being a fund for the use of government, 'earthsharing' means rent is not socialised; it is individualised. Assessed from its consequences, therefore, the geo-libertarian case does not provide a public revenue and no prospect of getting one except by taxation and user fees.
- The concern of liberationists is to take 'coercive' government out of the picture as far as possible.
- Like the liberationists, they see the useful role of landowners and, as a consequence, have an interest in some kind of proprietary community.
- The payment for the use, rather than just the location of land, has led directly to the principle of user-pays from which has come some mild social engineering through severance and pigouvian taxes.
- At the same time an emphasis on the natural aspects of land (similar to the liberationists' seeing land as farm land?), has led recently to payments for the 'services of nature'.

It could be noted here that this inclination towards environmentalism and sometimes even Malthusianism, has led away from individualism towards collectivism that was always implicit in the idea that the earth belongs to everyone. The confusion involved in joint rights must lead to the danger of decision-making of the majority interest 'for the common good'.

All this has nothing much to do with the Jeffersonian principle:

"Of Liberty then I would say that, in the whole plenitude of its extent, it is unobstructed action according to our will. But rightful liberty is unobstructed action according to our will, within the limits drawn around us by the equal rights of others".

The Ethical Foundation of Georgism

Georgism is founded on four ethical propositions:

1. There is an inalienable or natural right to use land; that is, the right to access land under the same conditions;
2. In the case of possessed land this equal right to access land is limited to an equal right with others by the transfer of its land value to the community;
3. Land values taken by the community is morally justified since they are not produced by individuals; and
4. Land itself can never be owned being unproduced, its apparent value comes from the fluctuating and differential social appraisal of its features or from the variations in labour expended in producing its natural resources at its margin of production.

The Resolution of Problems

George's conclusion is that the adoption and application of these four ethical principles will resolve those social problems that have their origin in the dysfunction of the economy. Some obvious examples of problems avoided are unemployment, failure to offer a just market price for labour, the absurdly inflated cost of getting possession of land, and an unjust system of taxation.

On the positive side these moral reforms will give society the greater security and co-operation from which individuals might evolve to their full potential from the secret that Henry George saw: that "Liberty means Justice". Then the social freedom given by equal rights will be as familiar as breathing.

The Wider View of George's Teaching

The methodology of Henry George is to deduce action from principles rather than from looking for results. By looking for what is right rather than for what is expedient we may be able to escape those ephemeral theories that begin with a narrow set of circumstances rather than with principles. Worse are those theories that start from a wrong principle mistaken for truth or justice.

The Natural Law Foundation of Georgism

Using Adam Smith's wording from Book IV, Chapter II, paragraph 9 of *The Wealth of Nations*.

"every individual ... generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. ... he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was not part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it".

It is indeed interesting that Natural Law or Providence, from the one basic law, not of selfishness, but of seeking satisfactions from the least effort has *potentially* created an ideal system of *production* as Adam Smith observes.

But at the same time the same natural law has created a *potentially* ideal *distribution of wealth* by the law of rent. For, seeking satisfactions with the least effort, mankind has co-operated and by this co-operation in fulfilling each other's needs, as the *Savannah Story* in *Progress and Poverty* shows (pp.235-241), has progressively added value to land. Here basic needs that first must be satisfied in the most arduous way are later met with far less effort, evolving into the satisfaction of higher needs. At each stage location values grow more abundant eventually offering a revenue to supply basic services to maintain a network of great cities. As in the Lao-Tzu's *Tao Te Ching* when the greatest of all rulers (who ruled according to Nature) retires, the people say we have done it all by ourselves.

Nature may create the ideal economy if we want it.

Yet, as George who has painted this picture, observes:

"we shall never understand the course of civilisation, and the varied phenomena which its history presents, without a consideration of what I may term the resistances, or counter forces, which arise in the heart of advancing society, and which can alone explain how a civilisation once fairly started should either come of itself to a halt or be destroyed by barbarians" (p.513).

The Countervailing Tendencies of Private Property in Land

With private property in land and the progress of association comes “the tendency to unequal distribution of wealth and power” (p.528) and the “resistances” and “counter forces” that produce manifold forms of poverty, for retrogression is evident in the arts and sciences. Because of the extreme forms of democracy which it has the United States has come furthest towards decline: “This tendency has now reached its full expression in the American Republic, where political and legal rights are absolutely equal...” (p.529). George, speaking still of the United States, writes

“[w]hence shall come the new barbarians? Go through the squalid quarters of great cities, and you may see, even now, their gathering hordes!” (p.538).

George concludes *Progress and Poverty* by writing that these tendencies will not go away by themselves; the cause must be removed.

“The evils are not imposed by natural laws ... they spring solely from social maladjustments which ignore natural laws, and that in removing their cause we shall be giving an enormous impetus to progress” (p.544).

The primary social maladjustment is private property in land. But this is exactly the institution that geo-libertarians are now indirectly promoting.

The Origins of Geo-libertarianism

Where from did this new doctrine come? It is only possible from earlier accounts to surmise its origins. As an earlier book of mine *The Theory of Charges for Nature* suggested, part has come from Professor Robert V. Andelson. However, the three-part categorisation of rent and the idea that the earth belongs jointly to everyone, with all the implications of that idea, could have come from or at least been lent authority by the then acknowledged leader of the Georgist movement, Professor Mason Gaffney.

Here is the opening of a chapter which Gaffney wrote in 1998:

An Organic Theory of the State

“The treatment of rent as public revenue is part and parcel of an organic theory of the State. In the contractual theory, government is a kind of business which extends services to landowners. They only need pay for benefits received, which are construed in the narrowest possible terms. In the organic theory, landowners hold title to land as a privilege. In return,

they owe the State –acting on behalf of the community –certain obligations. The entire value of land is regarded as a benefit received from government.

“This is in keeping with the definition of land as “Public Value” offered by Alfred Marshall, the distinguished Victorian economist. Land and its value is the joint product of at least three things: one, nature, which created it; two, government, which acquired it from other sovereigns and protects it from other powers and extends public works for the public's benefit; and three, synergism, which is the increment to value that spills over from social and economic activity in the neighbourhood of each parcel of land.

“Value stemming from all these elements is regarded as unearned by the individual landowner. It is the product of outside forces and therefore a fit object of taxation. Along with this goes a Puritan ethic or productivity theory of distribution. Private receipt of land income is regarded as non-functional, since no incentive is required to create land. Incentive is only required to turn land to its highest use. A tax on land that is based only on capacity to serve, and does not vary with use, has the property of socialising rent while sharpening the incentive to turn land to the highest use permitted under the law.

You will see in this brief space some fundamentals of geo-libertarianism. Perhaps these can be left with you to consider:

- In a Georgist society do we hold land as a privilege or as an inalienable right?
- Do we owe the state obligations *simply* by virtue of holding land?
- Should the “entire value of land” be seen as “a benefit conferred by government”?
- Is land a ‘public value’?
- Professor Gaffney says that land value stems from three elements or factors, by which he seems to mean that each contributes a certain discreet value to the overall value. Is it the right view?

**Ch. 7 The Philosophy of Public Finance, Ch.7 in Fred Harrison (ed.), The Losses of Nations, London: Othila Press Ltd., 1998, pp.175-205.*

One point of considerable importance in considering the merits of the three-factor theory of rent is that its argument that capital and services are the basis of rent or land values is really as transparently wrong as arguing that capital and services by themselves produce prices.

The Ethos of Georgism

When all things are considered what matters most is not the 'single tax', nor even the principle of inalienable rights, but the *ethos* of Georgism which is government by Nature and not by force, the idea that the justice given by equal rights is liberty, the idea that in the words of G.K. Chesterton, "There is nothing more practical than a principle", that is, the right is the wise: the idea that economics should not be used as a subtle but still coercive force to push and pull people around by fiscal and monetary policies but used as a science to discover natural law.

Friedrich von Hayek put the Georgist point of view perfectly when he wrote "It is not who governs but what government is entitled to do that seems to me the essential problem" (*Why I Am Not a Conservative*, 1960, republished 1992).

All this George discovered. Why should he be abandoned?

POSTSCRIPT

What must be said however reluctantly is that the error introduced by George in 1885-1886, always there in Georgist discourse if anyone had looked hard, is now quite evident. The choice has always been whether the right at the basis of Georgism was joint rights or equal rights.

It appears that in choosing joint rights to represent a more friendly face to libertarians our intellectuals have chosen just the wrong way to do it. The resulting impasse is most graphically shown by Murray Rothbard when he denies that the earth belongs to everyone: *Georgists say "all land belongs to society as a whole"* (p.1). *Instead, "it is given for the use of individual persons"* (p.10), and by Frank Knight when he provisionally affirms as Georgism: *"every human being has an absolute right to access to the earth, by which he must live"* (Qu.p.402).

Geo-liberationists deny that the earth "is given for the use of individual persons" (see pp.12-13) and assert that the earth belongs to everybody (see pp. 25-26).

In fact, from geo-libertarianism Georgism gets a dual identity. For the two basic propositions of geo-libertarians potentially lead in two directions. Equal shares in rent can lead us to individualism; that the earth belongs to everyone very definitely leads us towards collectivism. This situation is a heaven for activists. They can pick and choose whatever aspects of Georgism may seem at any time to give most appeal.

We find one writer extolling neo-classical economics for its "energy being efficiently directed to emerging social problems" and coming back just once again to remind Georgists that they are backward and warning them that they must speak the language of scholastic economics:

"like Islam for its last five centuries of stagnation, appears to have ignored scientific advances, preferring futile argument about what the Prophet meant by certain words. Economics has avoided this stagnation ..."

*See the Melbourne-based journal *Progress*, Jan. March, 2013, pp.22-25.

The choice of the movement remains. Will the fundamental principle be the inalienable right to use the earth or an earth owned by everyone as the principle upon which to derive the concept of equal rights?

The future of Georgism, or at least its integrity, depends upon this choice.

APPENDIX: WHY GEORGE OFFERS PAYMENTS TO LANDLORDS.

As has been pointed out by writers in the *Supplements* Henry George offers a discount on rent to landlords.

One writer Harold Kyriazi gives the following reason for George's decision.

"Unimproved land ... would tend to have no owner. Therefore, George advocated allowing landowners to keep a small percentage of the land rent, mainly to avoid the prospect of having all unimproved land revert to the commons. He felt that his reform could be enacted more smoothly if it maintained full private ownership of land" (p.458).

Kyriazi gives as a reference for this opinion p.405 of *Progress and Poverty*. But George does not say this; he gives quite another reason for this payment to 'landowners':

"Instead of extending [government by land nationalisation], all we have to do is to simplify and reduce [government]. By leaving to landowners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency ...we may, without jar or shock, assert the common right to land by taking rent for public uses".

'Unimproved land' probably means vacant land and Kyriazi appears to say that, without a small payment, 'landowners' in a Georgist society would abandon land that has no rent; it would "revert to the commons".

In fact, the possessor could retain it and do something with it; then there would be no need for this suggested payment. He might abandon it leaving it to someone else. Again no payment need be made. But, if the 'owner' decided to keep it vacant what

would waving *ten per cent* of the rent do to cause him to retain it? No subsidy need be paid in a Georgist society to ensure that it is possessed. It is not going to revert to commons.

Finally, Kyriazi writes (pp. 458-9) that the 'service' of the landlord, being compensated with a small payment by Henry George, "was primarily not as a 'real estate agent' nor even as a 'government unclaimed land office clerk', but meant as a 'maintainer of appearances'". What appearance is this? It must be as he has already said to maintain the appearance of "full private ownership of land" (p.458). But why would Henry George want to pay money to ensure that valuable land remains vacant?

In addition to suggesting a payment to landlords for collecting the rent, on other occasions George spoke of factoring in a ten per cent reduction in assessment to ensure it was not oppressive.

It is surprising that Professor Robert Andelson has taken us to this same idea of the allocating landowner. He writes George "doubtless failed to recognise that part of the rise in land values reflect owners' constructive allocation efforts" (p.551). This has already been discussed at length.

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