

# ROBERT SCHALKENBACH FOUNDATION

*To Promote the Economics of Henry George*

5 EAST 44TH STREET, NEW YORK, N.Y. 10017

986-8684, 697-9882

February 13, 1985

Archbishop Rembert G. Weakland  
Office of Domestic Social Development  
1312 Massachusetts Ave., N. W.  
Washington, D. C.

Most Reverend Archbishop:

I understand comments and suggestions are welcome in connection with the pastoral letter on Catholic Social Teaching and the U. S. Economy. I am taking the liberty of enclosing my critique which I have entitled, "Economic Justice In A Moral World."

I trust my remarks may be of help in formulating the later drafts of the pastoral letter.

Respectfully yours,

Oscar B. Johannsen, Ph.D.  
Executive Director

Enclosure

... Liberty means Justice, and  
Justice is the natural law ...

from *Progress and Poverty* by Henry George

February 13, 1985

William J. Byron, S.J.  
President  
The Catholic University of America  
Washington, D.C. 20064

Dear Father Byron:

In connection with the Bishops' pastoral letter "Catholic Social Teaching and the U. S. Economy", I think you might be interested in the short rebuttal which I have developed and sent to Archbishop Weakland.

I know Jack Kelly has sent in his commentary to Archbishop Weakland, and it is my hope that Archbishop Weakland and his assistants will at least give the ideas of Henry George some consideration.

Kindest regards.

Sincerely,

Oscar B. Johannsen  
Executive Director

Enclosure

*(cc J. A. ...)*

FEB 25 1985

**ROBERT SCHALKENBACH FOUNDATION**

To Promote the Economics of Henry George

5 EAST 44TH STREET, NEW YORK, N.Y. 10017

986-8684, 697-9882

February 15, 1985

TO: The Directors  
FROM: Oscar B. Johannsen

Enclosed herewith is my rebuttal to the  
Bishops' letter which may be of interest  
to you.

Enclosure

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... Liberty means Justice, and  
Justice is the natural law ...

from *Progress and Poverty* by Henry George

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ECONOMIC JUSTICE IN A MORAL WORLD

by

Oscar B. Johannsen

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Oscar B. Johannsen, Ph. D.,  
is Executive Director of the  
Robert F. Schalkenbach Foundation  
5 East 44th St., New York, N. Y. 10017

The first draft of the Catholic Bishops' pastoral letter on "Catholic Social Teaching and the U. S. Economy" points out the disturbing fact that:

In 1982 the richest 20 percent of Americans received more income than the bottom 70 percent combined and nearly as much as all other Americans combined.

...and that:

the top 5% of American families own almost 43% of the net wealth of the nation. (1)

That such a disparity exists is surely evidence that there is something profoundly wrong with our economy. That the top 5% of American families own almost half the net wealth of the nation cannot be because they work harder or are more enterprising, for such would imply that 95% of the families are not energetic, enterprising or intelligent enough to obtain an equitable proportion of the wealth produced. Such an implication dishonors the majority of the people who do work and work hard and intelligently--and yet enjoy only a minuscule amount of the nation's wealth. The income of many of them is barely above the poverty level.

What is the fundamental cause for this maladjustment of the nation's economy? Surely it cannot be the fault of the Creator, for, as the Bishops' letter points out, it is more likely the:

Misuse of the resources of the world or appropriation of them by a minority of the world's population (which) betrays the gift of creation meant for all people who are created in God's image with a mandate to make the earth fruitful. (2)

The letter notes the obvious fact that "the goods of the earth are common property and that men and women are summoned to faithful stewardship rather than to selfish appropriation or exploitation of what was destined for all." (3)

How is it that as the good earth is the "common property" of all that a minority owns such a huge proportion of it? Surely, it is not because of the minorities' superior abilities, for that disparages the abilities of the vast majority who evidence no inferiority in respect to energy, ability or intelligence.

It must be some economic maladjustments which permit a minority to obtain an inequitable proportion of the wealth produced. Inasmuch as the letter states that the Lord is a "God of Justice," these economic maladjustments are evidence of economic injustices which are being practiced, possibly unconsciously, by man.

The letter notes that "the Catholic tradition has long defended the right to private ownership of property, for it provides incentive for diligence at work. It allows parents to contribute to the welfare of their children. Directly and indirectly it protects political liberty," and adds "the protection of this right is therefore a significant prerequisite of a just economic policy. It opens up space in society for the exercise of forms of creativity and initiative which can genuinely serve both individuals and the common good. For these reasons, ownership should be a possibility for as broad a part of our population as possible." (4)

But the letter argues that "this support of private ownership does not mean that any individual, group, organization or nation has the right to unlimited accumulation of wealth... There is a 'social mortgage' on private property which implies that private property does not constitute for anyone an absolute or unconditional right. No one is justified in keeping for his exclusive use what he does not need when others lack necessities." And it adds that "in our increasingly complex

economy, true stewardship may also sometimes demand that the right to own cede to public involvement in the planning of ownership of certain sectors of the economy." (5)

The letter stresses that, to carry out the responsibilities of securing the right of all "will require a lively sense of moral responsibility on the part of individuals as well as a prudent adjustment of social accountability." (6)

And how can this problem of securing the rights of all be accomplished? The letter declares that "Government, therefore, has a moral function: that of enabling citizens to coordinate their actions to protect basic rights and ensure economic justice for all members of the commonwealth." (7)

And it points out that "ideological disputes between those who believe the solution to be solely with the private sector and those who would rely solely on government appear to us to be fruitless." (8)

The letter, however, gives a clue as to how the problem of poverty, unemployment and the great disparity of wealth in our country may be rectified and thereby create a condition of economic justice. It notes that "the tax system is an obvious force that affects consumption, saving and investment." (9)

Such being the case, it is incumbent upon us to search out ways by which the tax system can be an incentive rather than a hindrance to consumption, saving, investment and production.

It is obvious that to tax consumption, saving, investment and production is to decrease all of these economic factors. The greater the tax, the lesser the consumption, saving, investment and production. But this does not mean that all taxes are disincentives.

There is a tax which is an incentive and encourages investment and production. It is a tax on the value of the land that is sufficiently high to collect all of what economists call economic rent. In other words, it is a tax which collects for the community all the rent which accrues to the land by virtue of its desirability for whatever reason, whether it be the density of population, inherent natural resources as oil or gold, fertility or some other quality making it useful to man.

If this tax is collected by the community, it will act as incentive to improve vacant and under-utilized land, for it will make it too expensive not to improve the land to its highest potential. At the same time, if no tax is levied on improvements, the landowner has an additional incentive to construct them, and these improvements can be the best and most efficient, for no matter how valuable they are there will be no tax to discourage the optimum investment.

A land value tax would create such an incentive for the building of improvements that the construction industry, for example, could find steady employment. This means the employment of workers not only in construction, but in fields related to it, such as furniture and office equipment for business and industry, as well as for all the things needed for new homes and dwellings.

Under the aegis of private control of land, with the proper system of taxation of land value, the private enterprise system gives great promise that it would create all the necessary jobs to absorb those involuntarily unemployed at the present time.

As the letter points out, "unemployment is not a simple phenomenon with a single cure," and that, "therefore, no single all-purpose cure is available." And it adds that "this does not mean, however, that nothing can be done." (10)



That is true and one of the important measures which can be taken is to make the Lord's land more readily accessible to all. The most efficient and just way to do this is through this collection of the economic rent of land by means of taxation, as specified above.

If this economic reform were instituted, the growth in economic well-being would bring about the possibility that such important aspects of an advanced civilization as a sound system of money and the proper climate in which the God-given abilities of all may be utilized, could exist. In other words, the climate would be a truly moral one which will bring into being, as the letter states,

...a world where love and friendship among all citizens of the globe becomes the primary goal of all. In this love and friendship God is glorified and God's grandeur revealed. (11)

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All Paragraphs refer to the numbered Paragraphs  
in the First Draft of the Bishops' Pastoral  
letter on "CATHOLIC SOCIAL TEACHING and the  
U. S. ECONOMY."

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- (1) P 202 and 204
  - (2) P 39
  - (3) P 33
  - (4) P 120
  - (5) P 121
  - (6) P 122
  - (7) P 126
  - (8) P 176
  - (9) P 256
  - (10) P 171
  - (11) P 333
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