

Georgism: ideas that have fallen on stony ground
(a paper given at the 10th Annual Conference Of The Council Of
Georgist Organisations, Santa Fe, New Mexico, July, 1990)

Ask many ordinary people what their beliefs about economics are and you will often get the response: "Well, I really don't have any". Don't you believe it! The truth is that we all have beliefs; it is impossible to proceed without them. C.S. Peirce defined a belief as "that upon which you are prepared to act". Anyone who tries to make a rational decision has to base it on something; what he bases it on are his beliefs. The truth is not that we do not have economic beliefs, merely that for most people they are a chaotic collection of assumptions and prejudices, ill-organised and frequently incompatible. Even if we are not consciously aware of the basis of some of our decisions, there must be something in the subconscious on which they are based.

I see one of our important tasks as being to help people to articulate their economic beliefs for themselves. Until this is done, such beliefs are not truly open to analysis and criticism - not for the individual subject whose beliefs they are.

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist."

John Maynard Keynes
The General Theory of Employment Interest and Money

It is my belief that the principal reason why Georgist proposals have failed to appeal in this century to the public at large (including academics and intellectuals) is because they run counter to very deeply held beliefs; these beliefs are so profoundly held that, even when people follow the logic of Georgist arguments, they still feel distinctly uneasy about them. Henry George, like Keynes, well understood the profound force of economic ideas. As he pointed out in "The Science of Political Economy", the issues in political economy are not ones which the average person can face afresh, with no prejudices; on the contrary, all of us play our part in the economy and have had to devise, consciously or subconsciously, our own set of beliefs to enable us to do so. (This is why it is so much easier to inculcate Georgist concepts and ideas in the minds of children and students than in the minds of adults.)

"In proposing to my readers to go with me in an attempt to work out the main principles of political economy, I am not asking them to think of matters they have never thought of

before, but merely to think of them in a careful and systematic way. For we all have some sort of political economy.....few men honestly confess an ignorance of political economy.....There are many who say that they know nothing of political economy - many indeed who do not know what the term means. Yet these very men hold at the same time and with the utmost confidence opinions upon matters that belong to political economy, such as the causes which affect wages and prices and profits, the effect of tariffs, the influence of labour-saving machinery, the function and proper substance of money, the reason of "hard times" or "good times" and so on." - Henry George (SPE).

We must help people to debunk the morass of conflicting and unreasoned beliefs which form their current economic and political prejudices. Much of Henry George's work was devoted to doing precisely this; "Protection or Free Trade" is the paradigm example, but much of "Progress and Poverty" and "The Science of Political Economy" is also devoted to this; and in this century, Henry Hazlitt's "Economics in One Lesson" is an excellent example of the same process.

We should be under no illusions, however, that having completed such a task our objective will be anywhere near accomplished. We should not set forth to cast out one devil only to see a worse one enter in. This is the great danger of iconoclasm. We all need beliefs, even to cope with the most mundane choices in everyday life. We cannot empty the mind in this sense; it is like a siphon from which we can only eject existing beliefs by drawing in fresh ones. Indeed, it is surely our innate knowledge of this that makes us cling so forcefully to our existing beliefs rather than let ourselves be denuded of them. Setting out merely to explode myths, therefore, will not win us converts. Such a policy is only likely to result in Georgism being hijacked by unscrupulous political factions, opposed to what we are opposed to, but for very different reasons.

The great failure of Georgism this century has been the failure to put Georgist ideas (as opposed to Georgist measures) into currency, particularly in universities, colleges and other institutions whose business it is to generate and analyse ideas. Moreover, what modern economics lacks, more than anything else, is a fount of new ideas. Georgists cannot realistically expect to compete with institutions and bodies whose enterprise is based on the amassing and analysis of vast amounts of data. Nor should they want to. Our task must be to undermine conventional economics - not to show that its logical processes are flawed, but rather to show that its premisses are flawed.

In this paper, I propose to consider certain themes and ideas which lie at the very heart of Georgism and the curious psychological deafness to which it has become subject in this century.

1. Cultural Relativism.

Perhaps the greatest obstacle to understanding Georgism is the tacit acceptance of cultural relativism, the idea that there are no absolute truths any more: everything is subjective and, in the moral realm, voluntaristic. The idea of cultural relativism features strongly in two books of the 1980s: "A History Of The Modern World" by Paul Johnson; and "The Closing Of The American Mind" by Allan Bloom. Both writers consider that relativism has been the dominant theme in intellectual (and not so intellectual) circles through the twentieth century, with disastrous results:-

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"But for most people, to whom Newtonian Physics, with their straight lines and right angles, were perfectly comprehensible, relativity never became more than a vague source of unease.....At the beginning of the 1920s the belief began to circulate, for the first time at a popular level, that there were no longer any absolutes: of time and space, of good and evil, of knowledge, above all of value. Mistakenly but perhaps inevitably, relativity became confused with relativism.

....No one was more distressed than Einstein by this public misapprehension.....He lived to see moral relativism, to him a disease, became a social pandemic, just as he lived to see his fatal equation bring into existence nuclear warfare. There were times, he said at the end of his life, when he wished he had been a simple watchmaker." - Paul Johnson (HMW).

"There is one thing a professor can be absolutely certain of: almost every student entering the university believes, or he says he believes, that truth is relative.....The relativity of truth is not a theoretical insight but a moral postulate, the condition of a free society, or so they see it.....That it is a moral issue for students is revealed by the character of their response when challenged - a combination of disbelief and indignation: "Are you an absolutist?", the only alternative they know, uttered in the same tone as "Are you a monarchist?" or "Do you really believe in witches?"

.....The study of history and of culture teaches that all the world was mad in the past; men always thought they were right, and that led to wars, persecutions, slavery, xenophobia, racism and chauvinism. The point is not to correct the mistakes and really be right; rather it is not to think you are right at all." - Allan Bloom (CAM).

That Henry George was opposed to cultural relativism there can be no doubt. Although his writings are rarely directed specifically at relativism, this is hardly surprising, since he was writing at the end of the nineteenth century, before the dawn of the great age of relativism. I suspect that if George were alive today he would devote much of his time and energy to attacks on relativism, because it is the very ethos of relativism that

justifies the chaos of present day (academic) economics. Relativism sees the existence of widely differing and contradictory "schools" of economic thought as a great fount of richness and cultural diversity. To George it was an unparalleled disaster, resembling the intellectual climate of the Dark Ages before modern science began:-

"Of all the sciences, political economy is that which to civilised men of today is of most practical importance. For it is the science which treats of the nature of wealth and the laws of production and distribution....In all other branches of knowledge properly called science the inquirer may find certain fundamentals recognized by all and disputed by none who profess it, which he may safely take to embody the information and experience of his time. But, despite its long cultivation and the multitude of his professors, he cannot yet find this in political economy. If he accepts the teaching of one writer or one school, it will be to find it denied by other writers and other schools. This is not merely true of the more complex and delicate questions, but of primary questions. Even on matters such as in other sciences have long since been settled, he who today looks for the guidance of general acceptance in political economy will find a chaos of discordant opinions. So far indeed are first principles from being agreed on, that it is still a matter of hot dispute whether protection or free trade is most conducive to prosperity - a question that in political economy ought to be capable of as certain an answer as in hydrodynamics the question whether a ship ought to be broader than she is long or longer than she is broad.This is not for want of what passes for systematic study. Not only are no subjects so widely and frequently discussed as those that come within the province of political economy, but every university and college has now its professor of the science, whose special business it is to teach it. But nowhere are inadequacy and confusion more apparent than in the writings of these men: nor is anything so likely to give the impression that there is not and cannot be a real science of political economy." - Henry George (SPE).

Indeed, "The Science Of Political Economy" can be likened to the work of Descartes, as the supreme attempt to put science - in George's case economic science - on a firm foundation once and for all; it is perhaps more a work of philosophy and methodology than of "economics" in the accepted modern sense:-

"...let us consider the nature and scope of political economy, that we may see its origin and meaning, what it includes and what it does not include. If in this I ask the reader to go with me deeper than writers on political economy usually do, let him not think me wandering from the subject. He who would build a towering structure of brick and stone, that in stress and strain will stand firm and plumb, digs for its foundation to solid rock....

In nothing more than in philosophy is it wise that we should be "like a man which built an house, and digged deep, and laid the foundation on a rock." - Henry George (General Introduction, SPE).

2. Moral Populism, Utilitarianism and the Tyranny of the Majority.

Cultural and moral relativism inevitably promotes moral populism - the idea that something which might otherwise be moral or immoral can be rendered immoral or moral (as the case may be) merely by a majority of people in the community taking that view. Moral populism arises in a democratic society because of the need to justify acts of the legislator (and those who administer and enforce the law) which seek to resolve conflicts between the moral values or views of different members of the community. One person believes that those who blaspheme against recognised religions should be punished; another believes in freedom of speech. What is the legislator to do? In a society where moral relativism (and in particular, voluntarism) prevails he cannot reconcile the two positions, because both (ex hypothesi) are equally valid. It is at this stage that utilitarianism is prayed in aid, for it posits that the moral way to resolve such a conflict is to look to the greatest happiness of the greatest number and therefore, because all men are treated as equals and their moral views therefore as being of equal weight, that the legislator must act in accordance with majority opinion. (In fact, such a version of utilitarianism is a gross over simplification of Bentham's original idea; he was well aware of, and did not approve of, "majoritarianism".)

Moral populism is the principle used in a democratic society to justify coercion. (The writer may not blaspheme because a majority of the community do not wish it.) The effect of moral populism is to brand all refusals to comply with (if not all objections to) "popular" or "democratic" legislation as immoral; it literally demoralises its opposition.

"The great democratic danger, according to Tocqueville, is enslavement to public opinion....
...Although every man in democracy thinks himself individually the equal of every other man, this makes it difficult to resist the collectivity of equal men. If all opinions are equal, then the majority of opinions, on the psychological analogy of politics, should hold sway....This is the really dangerous form of the tyranny of the majority, not the kind that actively persecutes minorities but the kind that breaks the inner will to resist because there is no qualified source of nonconforming principles and no sense of superior right. The majority is all there is. What the majority decides is the only tribunal. It is not so much its power that intimidates but its semblance of justice." - Allan Bloom (CAM).

Perhaps you, like me, are tired of the tendency of the media to demand or encourage the populace to have "views" on almost everything of topical importance. On television programmes like

"Question Time" in Britain, the presenter, after hearing from the panel, canvasses views from the audience - all of which are pre-supposed to be equally valid - and invariably ends up by taking a poll (by show of hands) of the members of the audience. Occasionally, the presenter will admit that the show of hands "proves nothing but it is interesting", but the fact is that such polls are subtly designed to intimidate those holding the minority view. I actually find it very refreshing on occasion to hear some famous celebrity say that his views on something are unimportant - but it doesn't help the television ratings!

Moral populism was not something which George specifically crusaded against, but he was perhaps more aware than most of the demoralising effect which "popular" government could have on the community:-

"To turn a republican government into a despotism the basest and most brutal, it is not necessary formally to change its constitution or abandon popular elections....
....forms are nothing when substance has gone, and the forms of popular government are those from which the substance of freedom may most easily go. Extremes meet, and a government of universal suffrage and theoretical equality may, under conditions which impel the change, most readily become a despotism. For there despotism advances in the name and with the might of the people. The single source of power once secured, everything is secured. There is no unfranchised class to whom appeal may be made, no privileged orders who in defending their own rights may defend those of all....

And when the disparity of condition increases, so does universal suffrage make it easy to seize the source of power, for the greater is the proportion of power in the hands of those who feel no direct interest in the conduct of government; who, tortured by want and embittered by poverty, are ready to sell their votes to the highest bidder or follow the lead of the most blatant demagogue; or who, made bitter by hardships, may even look upon profligate and tyrannous government with the satisfaction we may imagine the proletarians and slaves of Rome to have felt, as they saw a Caligula or Nero raging among the rich patricians....

Where there is anything like an equal distribution of wealth - that is to say, where there is general patriotism, virtue, and intelligence - the more democratic the government the better it will be; but where there is gross inequality in the distribution of wealth, the more democratic the government the worse it will be; for, while rotten democracy may not in itself be worse than rotten autocracy, its effects upon national character will be worse....

....but in a corrupt democracy the tendency is always to give power to the worst. Honesty and patriotism are weighted, and unscrupulousness commands success. The best gravitate to the bottom, the worst float to the top, and the vile will only be ousted by the viler. While as national

character must gradually assimilate to the qualities that win power, and consequently respect, that demoralisation of opinion goes on which in the long panorama of history we may see over and over again transmuting races of free men into races of slaves." - Henry George (P & P).

We (in Britain and America) may think we have escaped the demoralising effect of moral populism but one has only to think of the rise of Nazi Germany, some thirty years after George's death, and the concomitant corruption of the German mind to see how chillingly prophetic George's words were. The Nuremburg trials attest to the fact that deep down we all know that moral populism is bogus.

3. The Social Contract

Closely allied with the idea of moral populism is the concept of the social contract. The analogy is drawn with a club or association. When you join a club or association you agree to be bound by its rules and the rules will invariably provide for their amendment from time to time by a majority of the members. Refusal to comply with the original rules in force when you joined is immoral because you agreed to follow them. Refusal to comply in the future with the rules as amended is similarly immoral because you agreed to be bound by the majority vote. Society, we are told, is just like such an association or club.

There are two main flaws in such an argument: first, you only become a member of the association or club by voluntary act, by agreeing to become a member; secondly, you can usually resign at any time. The analogy may be valid in the case of churches; it may even have been valid in the case of tribes where there was a realistic option to leave. It is not appropriate to society, not where our planet has now been divided up into sovereign states. To say that the individual can choose to emigrate, if he wants to, is like telling a member of a club that he can only resign if he joins another club; what if he does not want to join a club at all? Why can he not be left in peace? Moreover, such an analogy takes no account of the fact that a member of a club becomes a member by voluntarily agreeing to do so, whereas a member of society becomes so automatically on birth.

The idea of the social contract, as put forward by Rousseau, is that society exists as the result of people voluntarily associating together and agreeing to be governed. There may be some historical truth in this when one looks, for instance, at the constitution of the United States; but while those who took part in the establishment of self-government may have agreed to be bound, this cannot be said of future members of society, who become members automatically.

The social contract is a myth; it is a mythological way of justifying the existence of the state. It acts as a buttress to moral populism, for it seeks to justify the principle of moral populism by maintaining that members of society have impliedly agreed to be bound by it.

Underlying the sanctity of the social contract is the cardinal principle "pacta sunt servanda", the sanctity of contract itself. But the essence of a contract is an agreement freely negotiated and entered into by both parties; there is no such thing as an "automatic" contract. But, while a member of society may be said (unrealistically) to have the option of leaving, does society have the right to refuse to admit a member? No. No society has the right to refuse admission to members at will. Indeed it is argued in relation to governments in countries like South Africa that there is no moral basis on which people can be excluded from participation as full members of society.

Much as Rousseau may have detested the power of the state, the theory of the social contract does nothing to diminish its power in democratic societies. It has been used there, most of all, to justify coercion by the state, which is like a vast corporation, formed originally by the voluntary association of individuals but which now has a quite separate and independent existence. Why else do we refer to politicians as our "political masters" - are they not meant to be our servants?

The theory of the social contract as such does not feature significantly in George's works. However, the thrust of his work would seem to be opposed to it; for in his view society was not a single man-made construction but an organism which grew all the time. The Leviathan which Hobbes had referred to, which had responsibility for government, the administration of justice and the issuance of money, was not the cause of but arose out of the Greater Leviathan of the economy as a whole. People do not trade because the government allows them to; trade is fundamental, the primary of the two; people traded long before governments were even thought of. It is as trade grows and wealth is amassed that people need the organs of good government. The highly developed state of the English law of contract is not so much the cause as the result of the great growth in world trade by the British during and after the Industrial Revolution.

"Now, as the relations of the citizen proceed essentially from the relation of each citizen to a whole - the body politic, or Leviathan, of which he is a part - is it not clear, when we consider it, that the relations of the civilised man proceed from his relations to what I have called the body economic, or Greater Leviathan? It is this body economic, or body industrial, which grows up in the cooperation of men to supply their wants and satisfy their desires, that is the real thing constituting civilization....
....This body economic, or Greater Leviathan, always precedes and always underlies the body politic or Leviathan. The body politic or state is really an outgrowth of the body economic, in fact one of its organs, the need for which and appearance of which arises from and with its own appearance and growth. And from this relation of dependence upon the body economic, the body politic can never become exempt." - Henry George (SPE).

4. Value.

It is perhaps not surprising that the school of economic thought which has endured through the twentieth century and flourishes now is the so-called "Austrian" School, one of whose tenets is the subjective theory of value to which Henry George was firmly opposed.

The term "value" is much mis-used and misunderstood. One often hears of "value free" science. Exactly when this phrase was first coined is not clear, but the concept relates back to the Renaissance, and to the attempts of Descartes and Galileo to free science from theological constraints, and hence theological interference. Their conception of science was that its truths must be objective and free from the personal choices, prejudices and whims of the scientist or observer. This was a conception of science with which George (and later Einstein) wholly agreed. George's science of political economy is "value free" in this sense. However, just as relativity has become confused with relativism, so too has the conception of a "value free" science of political economy become confused with an economics which has no theory of economic value at all!

It is difficult to chart precisely when the theory of economic value was abandoned, but the process was nearing completion by the turn of the century. (As an illustration: value barely enters into Keynes' writings.) The demise probably started with the misgivings that surrounded the labour theory of value in the form championed by Karl Marx. According to this theory, the value of a commodity was derived from the amount of labour it had taken to produce it (more productive forms of labour being viewed as multiples of units of simple labour). This theory served Marx well in providing a justification for his contention that the capitalists expropriated what really belonged to the labourers. However, it had several flaws: first, it did not explain how land could have value; one solution to this in communist countries was to reject the idea that land could have any value; it is perhaps not surprising, therefore, that the Eastern block countries in this century have had a worse record in terms of environmental pollution and destruction than those in the capitalist West - to them land was literally valueless; secondly, it provided no mechanism for determining the multiples of units of simple labour that were supposed to be embodied in more productive forms of labour; and thirdly, it provided no explanation of how commodities such as antiques and works of art, could greatly increase in value with time, far in excess of the rate of inflation, unless value was something wholly independent of price - in which case how was it to be measured?

Marx probably understood the shortcomings of his labour theory of value better than many of his followers, although he was slow to reject it publicly. It only became apparent as yet another reason for what Edmund Wilson considered a reluctance of Marx to finish any of his works:

"The problems they raised, I believe, were always too much for him to grapple with....This is why the first volume of Das Kapital, the only part that Marx published, now stands as a kind of swindle. He leaves the proletariat confronting the capitalist on the verge of a ruthless class war over the issue of labour value. The question of the value created by the many middle men is left at the point at which the manuscript breaks off. But the contagious indignation of the first volume of Das Kapital is what has aroused revolutionaries ever since the book was published." - Edmund Wilson (To The Finland Station).

George could be equally dismissive of Marx, on occasion:

"The German mind, learned, bureaucratic and incomprehensible, put this in the form of what passed for a system in Karl Marx's ponderous two volumes entitled "Capital".... Without distinguishing between products of nature and the products of man, Marx holds that there are two kinds of value - use value and exchange value - and that through some alchemy of buying and selling the capitalist who hires men to turn material into products gets a larger value than he gives. Upon this economic proposition of Marx (it can hardly be called a theory), or others similar to it, political schemes with slight variations have been promulgated after the manner of political platforms." - Henry George (SPE).

As so often, the reaction by economists was to throw the baby out with the bath water: to reject not only the labour theory of value but the very idea that there could be a theory of value; and to embrace the "subjective" theory of value, which in truth holds that there is no objective value, that value is a term synonymous with human desire - fickle, ephemeral, immeasurable. But Henry George came not to reject the law, but to fulfil it.

George accepted the distinction first expressed by Adam Smith in "The Wealth of Nations": that between use value and value in exchange. Value in exchange fell within the province of political economy; use value did not. (The term "value" as hereinafter used is used to connote value in exchange only.) To George it was absolutely vital to the very existence of a science of political economy to establish an objective theory of value, for political economy was the science that treated of the production and distribution of wealth. Wealth was another term which towards the end of the nineteenth century still had no commonly accepted meaning; it was George's contention that what did not have value could not be wealth. (In "The Science of Political Economy" he based his conception of wealth on his conception of value, although he did claim that it was "possible to fix the meaning of the term wealth without first fixing the meaning of the term value", as he had done in Progress and Poverty.)

George's labour theory of value can be put very simply: the value of a thing is its ability to command labour; something is

valuable not because labour has been bestowed upon it but because men will give their labour (or the produce of their labour) to acquire it. This "command" theory was first put forward in exactly this form by Adam Smith in "The Wealth of Nations", but in "The Science of Political Economy" George further subdivided value into two main categories: value from production; and value through obligation. Something may have value because it saves the owner from producing it for himself (value from production), or because ownership of it carries the right to the labour (or produce of the labour) of another (value through obligation) - how such obligation arises is quite another matter. (The distinction has parallels in the legal distinction between choses in possession (chattels) and choses in action (debts, bonds etc.).)

George's labour theory of value provided answers to the three problems which had undermined Marx's theory: land had value because it had value through obligation; it had no value from production because it had not been produced, it was naturally occurring; more productive labour was not merely multiples of units of simple labour, and in any event their comparative worth or value could be measured directly in the labour market - indeed, in order to measure the value of anything it was absolutely vital that there be a market; and antiques and works of art rose in value with time simply because purchasers were prepared to give more for them.

The fanatical Marxist may interrupt here to say that George's theory of value through obligation really only expresses Marx's idea of "surplus value"; but Marx treated all "surplus value" as an immoral expropriation from the labourer. George passed no such judgement on "value through obligation"; in some cases it was entirely moral (e.g. debts, bonds etc.); in other cases it was immoral (e.g. slavery); to regard it always as an expropriation was to jump to conclusions.

George's "command" labour theory of value has never been refuted. It has been rejected, however, because of its "absolutist" origins; it breaks the new commandment of relativism which brooks no opposition. ("It is not the immorality of relativism that I find appalling. What is astounding and degrading is the dogmatism with which we accept such relativism, and our easygoing lack of concern about what that means for our lives." - Allan Bloom.)

Consistent with his "absolutist" views, George was concerned not merely to promulgate a theory of value which he could prove to be correct, but to refute all others. In some cases, he demonstrated that there really was no disagreement, the apparent dichotomy of views resulting from the fact that the other was not using the term "value" in the sense of value in exchange only. In other cases, his criticism was brilliantly aphoristic; in relation to the subjective and marginal utility theory of value he made two comments: first, people's desires and internal sense of moral values were, although of supreme importance, not part of the subject matter of political economy as such; political economy is

the study of the production and distribution of wealth, the study of how we produce what we desire, not why we desire it; in any event, it is quite impossible to measure such desires and moral values, except at the point where the individual demonstrates his willingness to give goods or labour in exchange for goods or labour. Secondly, people are not prepared to pay more for anything than they have to. So, for example, I may prefer tonight to go to the cinema rather than the opera, being able to afford both; but even though I would rather go to the cinema that does not necessarily mean I am prepared to pay more for a cinema ticket than for an opera ticket; moreover, for me to adopt such a position would not be to act irrationally.

The concept of value is crucial to political economy. Production is that which creates or adds value; consumption is that which destroys or reduces value. Distribution is the apportionment of the product (or its proceeds of sale) among the factors of production. The law has consistently distinguished between arrangements that create or add value (and contribute to production) and those that do not. Contracts of the former kind are generally enforceable; contracts of the latter kind often are not. So, for example, a contract for the purchase of a meal at a restaurant is enforceable, but my promise to give you a lift to the restaurant is not.

It should be noted that the law does not view my agreement to give you a lift as meaningless or a nullity. It views it merely as a private arrangement and one on which the irretrievable expense of the administration of justice should not be wasted - judges are not paid by litigants, nor do litigants pay rent for the use of courts to hear their case. The court may also take the view that we really did not intend to create a legally binding contract (which may be the truth) but, even if we did, the law does not view my promise to give you a lift as legally enforceable because there is no consideration for it; it lacks the essential element of a bargain or exchange - mutuality.

Even so, the law may refuse to enforce a contract where there is mutuality and an intention to create a legally binding contract. Prostitution contracts are not legally enforceable, even though they are a contract for services and even though (in England) they are not a criminal offence; thus, if I pay a prostitute for her services I have no right to reclaim those monies since the law will not enforce the agreement (it would be a different matter if she stole the money); it just refuses to enforce it.

Another important example of an unenforceable contract is a gambling contract. The law has always distinguished between contracts of insurance and gambling contracts. A professional insurer and a professional gambler both assume (economic) risks and charge for their services; but the key distinction is that the risk assumed under an insurance contract exists prior to and independently of the contract - an insured must have an insurable risk and can only claim the amount of his loss - whereas the risk

assumed under a gambling contract is created by the contract. The difference therefore lies in the position of the consumer; both the professional gambler and the professional insurer may consider that they are providing services for reward; that may be true, but it is beside the point. The law is reluctant to waste its time and energy on enforcing contracts that are fundamentally unproductive.

The reason for this may be that, as already explained, there is irretrievable community expense in the administration of justice. Production creates wealth for individuals and society. It is from production that government generates its tax revenues. Thus it can be seen that, just as taxation on the consequent increase in value of adjacent sites may help to pay for the construction of a road, so too a system of administration of justice which properly enforces productive contracts contributes to overall production and thereby to the very revenues which help to pay for it.

5. The Zero Sum Society

The idea that all values are relative is directly mirrored by the theory of the "zero sum society". This basically hypothesizes that all material gains or advances by one member of society are necessarily at the expense of some other member of society. Society cannot advance materially in aggregate; all it can do is provide for a more or less just distribution of "wealth" (usually undefined) amongst its members. (In Britain and elsewhere, the rise of a new underclass of homeless poor amidst the new yuppies has caused people once again to wonder if the zero sum society hypothesis is not true after all.)

This is a profoundly damaging idea. It is the translation into economic terms of Nietzsche's eternal recurrence. It is economic nihilism. It rejects the very concept of material progress, except by one person at the expense of another; it certainly rejects the idea that a whole society can progress materially.

It is surely the coupling of the idea of moral populism, the principle of equality, and the hypothesis of the zero sum society in the minds of people at large that accounts for the explosion all over the world of participation in public lotteries. People feel that, while we cannot each hope to be a millionaire, yet each of us should be given the equal opportunity to become a millionaire, through the lottery system. Yet, the implications of a lottery system for society as a whole are clear; it cannot be productive; it is fundamentally unproductive. Its only justification can be on the basis of consumption; but people do not view it solely as a matter of consumption; in a funny way they often view it as an "investment", particularly when challenged as to why they "choose to waste their money in this fashion".

Yet, this idea is not new. It was prevalent even in George's time. Indeed, in "Progress and Poverty" George foresaw

the inevitable nihilism of the twentieth century. He foresaw this great cry of despair from our great cities, a cry of the most profound anguish principally because it runs counter to our basic concept of trade and exchange. For in every exchange which is voluntary, each gives away what is of less value to him and receives what is of more value to him. Both are better off; if they were not, they would not exchange. Indeed it is the very basis of such exchanges that enables us to say with any meaning that the aggregate value of wealth in a society may (or may not) increase with time. (If all values are relative this is truly impossible.)

Moreover, in terms of international trade the theory of the "zero sum society" hypothesizes that the process of international trade is necessarily the exploitation of one country by another, that all trade is a form of war. It is not surprising, therefore, that phrases such as "trade war", "sucking in imports", "being washed up on a tide of imports", "protection of domestic producers" are in political currency. But countries do not trade with each other, at least in the free world; individuals and businesses trade with each other, each on the basis (as in every exchange) that he is receiving more in value than he is giving away.

It is particularly ironic that British politicians should fall for this, for two taxes in Britain are levied on the assumption that aggregate values increase in time: value added tax and capital gains tax. In the case of value added tax, each producer must pay tax (output tax) on what he produces, but at the same time he may reclaim the tax (input tax) which he paid on all inputs (raw materials, services) etc. The only person who cannot reclaim such tax is the consumer. (If he could, clearly there would be no net tax yield to the Inland Revenue, just money moving in a circle; but consumption is not part of production.) Likewise, in the case of capital gains tax, each taxpayer only pays tax on his net gains, losses being tax deductible. Unless there were aggregate gains to the society, the tax would yield nothing (except insofar as there was a general rise in prices due to inflation; but Mrs. Thatcher introduced an inflation index relief; so inflation alone would yield nothing from capital gains tax for the Inland Revenue).

And yet, as with all heresies there is a half-truth at the heart of the zero sum society hypothesis. It is true that in certain limited respects one section of society advances at the expense of another. So it is with economic rent.

It is noticeable that, while other entrepreneurs become multi-millionaires, for example in manufacturing, by undercutting their competition and selling better quality products at a lower price, real estate moguls become multi-millionaires by hiking up rents (or, what amounts to the same thing, resale prices). Recently in Britain, some economists have declared that they see rising house prices as a sign of the increasing "wealth" of British society. The man in the street knows better. He knows it

means more for those who own property, less for those who do not. Such a conclusion would be correct, but it does not mean that the whole economy is a zero sum game.

6. The Relativity of Poverty and Economic Justice.

Poverty is one of those concepts which is at one and the same time both easy and profoundly difficult to define. We all have a profound sense of poverty even if we cannot articulate it. The poor are those who struggle for existence; the rich are those who live in luxury. Yet, one of the greatest social changes of this century has been the drift, away from a position where the poor worked all the hours God gave while the rich idled, to a position where the richest in our society - Michael Milken, Robert Maxwell, Sir James Goldsmith are examples - work incredibly long and arduous hours, while the poor (particularly those in trade unions) work an ever diminishing working day; indeed, many are unemployed. Such a change would certainly have surprised Thorstein Veblen. Yet, it is this social change which often masks the true nature and origins of poverty, for it promotes the idea that riches are the result of hard work and poverty the result of sheer idleness. This may be true of the individual; I may well be richer if I work harder (particularly if I am self-employed); but it does not explain why some who work (or are willing to work) hard are conspicuously unable to improve their lot, while others who may work just as hard are profoundly the richer. Thus it is, for example, that people seriously wonder how in a just society a working income of US\$500 million in one year can arise to an individual (Michael Milken) no matter how hard he works; deep down people suspect that something somewhere is very seriously awry.

The notion that poverty is purely relative is nothing new. Jesus' comment that "the poor you always have with you" has oft been misquoted in its favour. In recent years, under the Thatcher Government in Britain it has raised its ugly head again, with Ministers maintaining that there is no poverty in Britain, with a wilful blindness that might even make Stalin blush. Their point is, of course, that Britain in the 1990s does not know quite the same poverty it experienced in the 1930s. (It has also been rightly objected by some conservatives that in many respects the "poverty line" and what constitutes "poverty" for certain public statistical purposes have been defined in such a way that, by definition, there will always be a certain percentage of society that is said to be "below the poverty line" because "poverty" is actually defined in relative terms.)

All this is as may be. Poverty is not a purely material issue, a matter of whether some enjoy more comforts than others - that is inevitable - it is a moral issue. George believed, above all else, in economic justice (a term to which we are now almost wholly deaf - we are truly at a loss to know in what "economic justice" consists).

In "The Science Of Political Economy" George attempted a definition of poverty. The hallmark of poverty was that the poor

received less in value than (by their production and exchange) they gave; or as George himself put it:-

"Here is the normal line from which what we call wealthiness and what we call poverty take their start. He who can command more service than he need render is rich. He is poor, who can command less service than he does render or is willing to render" - (SPE).

How was this possible? All commodities having value from production were such that the giver in exchange received more than he gave. So too it was that with debts, whose value was through obligation, the giver received as much as he gave, for the debtor was only obliged to repay what he had originally received (albeit at interest, to compensate for the delay in repayment). It was only that property which imposed obligation while giving no value, rendering no service - principally land - which could be the cause of poverty.

George saw poverty and riches as two sides of the same coin, economic injustice. He passionately believed in economic justice before charity. His disgust with public, conspicuous charitable giving by the rich, in order to salve their guilty social consciences, long pre-dated Ayn Rand's "The Virtue Of Selfishness":

"Rich and poor are thus correlative of each other; the existence of a class of rich involving the existing of a class of poor, and the reverse; and abnormal luxury on the one side and abnormal want on the other have a relation of necessary sequence....

....And when [Christ] said, "It is easier for a rich man to enter the kingdom of heaven!" He simply put in the emphatic forms of Eastern metaphor a statement of fact as coldly true as the statement that two parallel lines can never meet.

Injustice cannot live where justice rules, and even if the man himself get through, his riches - his power of compelling service, without rendering service - must of necessity be left behind. If there can be no poor in the kingdom of heaven, clearly there can be no rich!

And so it is utterly impossible in this, or in any other conceivable world, to abolish unjust poverty, without at the same time abolishing unjust possessions. This is a hard word to the softly amiable philanthropists who, to speak metaphorically, would like to get on the good side of God without angering the devil. But it is a true word nevertheless." - Henry George (SPE).

7. Selfishness as the Primary Axiom.

There is much in George's work that can be traced back to The Physiocrats, Adam Smith and David Ricardo. Arguably, his greatest original contribution to the field of economic ideas was his criticism of selfishness as the primary axiom from which the whole of political economy can be derived. Ever since Smith's

famous reference in "The Wealth Of Nations" to our not relying on the benevolence of the butcher, the brewer or the baker but on their own self-interest, people on the Left and on the Right have assumed (without any real argument) that selfishness is the mainspring of "capitalism". As Gordon Gekko in the film "Wall Street" puts it: "Greed is good".

George maintained that there was a fundamental misapprehension here. Political economy was the study of the production and distribution of wealth, of how men move to satisfy their desires, not why they have those desires; his was a "value free" science. So, said George, why I want to own a Picasso or a Van Gogh is not part of the province of political economy. My desire to own it may be foolish; it may be the result of pure greed, avarice or vanity. So far as political economy is concerned it is irrelevant; it is concerned with how I go about acquiring it.

This led George to formulate the primary axiom on which the whole of political economy rests as follows: men move to satisfy their desires with the least exertion or detriment possible. This is the great grundnorm of political economy, a fact so obvious that it is likely to be dismissed as "a mere truism". Yet, its significance is profound. (In fact, it is from this axiom and man's ability to reason that man's propensity to truck, barter and exchange - what Smith saw as primary and irrefutable - can be derived.)

George's axiom in no way conflicts with the altruistic actions of men from time to time. If I wish to bestow a benefit upon someone, I will not give up all rational processes merely because I am not acting in my own selfish interests; on the contrary I will seek to maximise the benefit to the donee while minimising the detriment to myself.

Thus, it becomes quite unnecessary to determine when altruism becomes enlightened self-interest which then becomes self-centredness. We all do what we "want" or intend to do; that is inevitable. We will not act in a charitable manner until we want to. What my wants are, and what they should be, may be (and Smith and George both considered them to be) of supreme importance, but they are not part of the province of political economy.

8. Distribution and the Interfering Taxman.

Another misapprehension concerns the nature of "distribution". Ever since John Stuart Mill (and even before) it has been presumed that, while there may be scientific laws of production, distribution is a matter solely of human law:-

"The laws and conditions of the production of wealth partake of the character of physical truths. There is nothing optioned or arbitrary in them.....

But it is not so with the distribution of wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively can do with them as they like. They can place them at the disposal of whomsoever they please, and on whatever terms." - John Stuart Mill (Principles of Political Economy).

George considered this argument to contain a logical fallacy:-

"The question that Mill is arguing is whether what is called in political economy the distribution of wealth is a matter of natural law or a matter of human law, and what he does is to cite the fact that in what is called human law the distribution of wealth, mankind can do as they like, and assume from that that the distribution of wealth in the economic sense of the term is a matter of human law - "a matter of human institution solely."" - (SPE).

Production and Distribution were two sides of the same coin. Distribution was the process whereby production (or its proceeds of sale) was divided among those (the providers of the factors of production) who had produced it. People produced wealth in order that it might be distributed. Long before "supply side Reaganomics" and Laffer with his famous tax curve, George demonstrated that interference with the natural laws of distribution only resulted in a diminution in production:-

".....production in political economy is not to be conceived of as something which goes on for a while then stops, when its product wealth has been brought into being; nor is it to be conceived of as something related only to a production that is finished and done. Both production and distribution are properly conceived of as continuous, resembling not the drawing of water in a bucket but the drawing of water through a pipe - or better still, in the conveyance of water over an elevation by means of a bent pipe or siphon, of which the shorter arm may stand for production and the longer for distribution. It is in our power to tap this longer arm of the pipe at any point below the highest, and take what water is already there. But the moment we do so, the continuity of the stream is at an end, and the water will cease to flow.

Production and distribution are in fact not separate things, but two mentally distinguishable parts of one thing - the exertion of human labour in the satisfaction of human desire. Though materially distinguishable, they are as closely related as the two arms of the siphon. And as it is the outflow of water at the longer end of the siphon that is the cause of the inflow of water at the shorter end, so it is that distribution is really the cause of production, not production the cause of distribution. In the ordinary course, things are not distributed because they have been produced, but are produced in order that they may be distributed. Thus interference with the distribution of

wealth is interference with the production of wealth, and shows its effect in lessened production." - Henry George (SPE).

Taxation on production means an alteration in distribution. What was otherwise apportioned among the providers of the three factors land, labour and capital has now to be apportioned among those persons and, in addition, the sovereign. Those of us who have trained and practised as tax practitioners in the U.K. will be well aware of the interfering effect of the Taxman. As George points out, distribution is the cause of production. Until people know what is going to be distributed to them they are not prepared to produce. Thus, the returns to the factors of production and the government have to be determined with sufficient certainty at the outset for production to take place at all. This is why there is always virtue in taxation which is fixed and simple; (this is one of the few virtues of the Community Charge, or "Poll Tax", in Britain).

Now, the Taxman always poses a problem for the simple reason that, whereas you can always negotiate terms with the providers of the factors of production, you cannot negotiate with the Taxman. He is under a legal duty to recover taxation from the taxpayer, impartially and in accordance with the law. He has no discretion to barter, negotiate or waive in relation to the tax chargeable. Moreover, there is no scope for him being given (by parliament) any such discretion, because of the overriding principle that tax must be levied impartially and on an "equal" basis. (Even if he were given such a discretion, it is difficult to see how fruitful such negotiations could be, given that the Taxman has no service to offer; all he can offer by way of barter or exchange is some sort of waiver or concession.) Negotiations therefore proceed in the absence of the Taxman.

This might not cause a problem if it were not for the fact that tax legislation is notoriously complex and its application in particular cases far from clear. Doubts surrounding the applicability of certain statutory provisions will usually want to be resolved by the parties before proceeding, but all too often inquiries made of the Inland Revenue are met with the response that they cannot comment on hypothetical cases; they will only express a view after the transaction has been done (when it is too late for the taxpayer). In fairness to the Inland Revenue, providing a full blown question and answer service would cost a huge amount perhaps better spent on pursuing tax evaders. But pity the poor taxpayer; it is not his fault that the legislation does not make the position clear.

Moreover, even if the legislation is sufficiently clear to determine the tax for this year, there is no knowing what it may be next year, since tax rates and allowances are changed annually. This makes it incredibly difficult for the transacting parties to plan ahead. (Is there any wonder that businessmen view the Chancellor's criticism of "short term-ism" in the markets as the pot calling the kettle black, when the government leads a

truly hand to mouth existence and is quite unable to fix its tax rates and allowances more than a year in advance?!)

In addition to the disincentive effect of any taxation on production, and the literal demoralisation caused by the government's inability to control its own finances, there are massive costs in levying modern taxation. The amounts dissipated in the economy every year by the general costs of administering the British tax system must be staggering, particularly if you add in to the costs of administration and collection the taxpayer's own costs, in terms of the tax managers, advisers and administrators he has to engage. The British government has succeeded in the 1980s in shifting an increasing amount of responsibility for administering the tax system on to the taxpayer himself (the best example is VAT). This succeeds in reducing the government's costs but it does nothing to make the tax system any more "efficient" in terms of what is dissipated in the economy and the benefit of which accrues neither to the taxpayer nor to the government but to those in between (from Revenue employees to eminent tax counsel, among the most highly remunerated lawyers in Britain).

All taxes on production are taxes on distribution and interfere with production as a result. We need to impress upon governments (sovereign, state and local) both the efficiency and justice of a tax which is not levied on what is actually produced but on a quite different basis: a tax on the economic rent of land, which (as Milton Friedman and other economists freely admit) cannot be shifted to the other factors of production and does not act as a disincentive to produce, because it is levied on the rent that a site commands regardless of what that site is actually used to produce. Thus, unlike the old rates system, which penalised people who improved their property and rewarded those who let their properties go to waste, a tax on economic rent would actually promote production by forcing the landholder to put his land to productive use, rather than merely hold it (or more likely withhold it) in the speculative hope of an increase in value. We must get rid of the interfering Taxman.

9. The Just Price

The idea of the just price dates at least from the Middle Ages. It provides that there are moral criteria by reference to which the price of any given thing, whether or not freely negotiated between the transacting parties, can be said to be moral or just. The concept of the just price has been used (or abused) for centuries to justify interference with the free market. Indeed, much of Adam Smith's and the Physiocrats' work can be seen as a concerted attempt to refute the idea of the just price and thereby justify the operation of the free market. We may consider it rather quaint and amusing now to think of prices as being "just" or "unjust", but the idea of the just price still persists in certain areas, perhaps most notably in the phrases "fair wage" and "fair rent". These phrases imply that there may be unfairness or injustice in paying a market wage or demanding a

market rent. The fields of employment law and landlord and tenant law have in this century (certainly in Britain) been the subject of extensive interference with the free market and what one might term "freedom of contract" principles. In fact, the two problems are opposite sides of the same coin. It is the inexorable rise of the economic rent of land that acts with the competition of labour for work to crush wages to the lowest acceptable in a particular community - what Ricardo termed the "iron law of wages".

Attempts to regulate wages, for example by introducing minimum wage laws, are an attempt to interfere with the natural laws of distribution and, as we have seen, interference with distribution inevitably results in reduced production. For as long as people are not compelled to employ labour, attempts to increase wages above their natural market rate will only result in less labour being employed.

Rent controls act slightly differently. This is because of a misapprehension concerning economic rent. Lawyers and politicians think of rent solely as what is paid by the tenant to the landlord; if nothing is paid there is no rent. Georgists know differently. Rent is a naturally occurring fund. It is the potential return arising solely from use of a particular site. Anyone who has use of that site has access to that rent. It cannot be abolished by Act of Parliament; it cannot be destroyed by agreements between landlord and tenant. The most that can happen in either case is that such potential is never tapped, in which case the whole community is the loser.

This fact means that a just apportionment of rent cannot be made as between the individual parties, and all attempts historically to cure the "land problem" by the courts on a case by case basis have always failed for this reason. The landlord and the tenant are usually the only parties involved; the court has to apportion between them; the claims of each may be equally just or unjust, particularly where there have been windfall benefits accruing to the land due to the actions of neither landlord nor tenant. Such cases are like actions between highwaymen in partnership disputing the ownership of their ill-gotten gains; the court is being asked to apportion property (rent) between two people neither of whom have any claim to it.

Henry George's response to the theory of the just price can best be put like this. Provided the subject matter of a contract (e.g. goods sold or services performed) be not immoral, how can a freely negotiated contract between parties of full capacity, where there is no misrepresentation and no duress, be immoral? That price or rate for a thing is moral where it is the natural or market price or rate prevailing in a market where there is genuinely free competition. The only reason why the ideas of the "fair wage" and the "fair rent" persist is because in neither case is there a genuinely free market. Land monopolisation means that the labourer must compete with others for employment, and does not have the option of access to land for self-employment at a true rent. Land speculation similarly distorts rents charged, because

the supply of land is fixed and cannot be increased, land being withheld from production thereby forcing market prices above their true rates.

George does not seek to pass moral judgement on the theory of the just price, merely to show that it fails properly to analyse the problem.

(One final respect in which the theory of the just price continues to hold appeal, and justifiably so, relates to the position where people accept goods or services, pursuant to a contract, but prior to the price having been agreed. In such circumstances, it may not be possible to return the goods (still less the services), if having heard how much they cost we decide we do not want them after all; but we feel obliged to pay. In common parlance we may feel we have been "ripped off". However, the law has a simple answer to this problem: where no price has been agreed, the buyer must pay the seller a reasonable price. Invariably, this means a market price. If the transaction is of a standard type which the seller customarily enters into, then the buyer may be forced to pay his standard prices, even if these can be said to be above the overall market; but this is on the basis that the parties implicitly agreed this; (if the "standard" prices are truly outrageous it is possible that the court would hold that the buyer had not implicitly agreed to pay them). On the other hand, if the transaction is novel to both parties, the court will hear evidence as to what the market price for such goods or services is, by specific reference to market conditions. In such cases, the just price is the market price.)

10. The Abolition of Rent

There has been no cause which was dearer to the hearts of oppressed tenants in the nineteenth century than the communists' promise that in a communist state rent would be abolished. But, as we have seen, this is based on a total misapprehension. Rent cannot be abolished; it can be justly apportioned or misappropriated; or it may be left untapped, either by legislative interference or by agreement. The latter happens when, for example, planning and development controls prevent a site from being used to its full potential. In such circumstances, we may talk loosely of rent being abolished, but in truth it has only been suppressed. The community as a whole is the loser and the only moral justification can be that everyone suffers equally; but this is never the case, for development restrictions on one site always render neighbouring sites which have no such restrictions more valuable - so that (in part) the rent is not so much misappropriated as misdirected. Moreover, it is noticeable that it is precisely the owners of such neighbouring sites who are the most vociferous in objecting to the lifting of development controls and the granting of planning permission. It is a great mistake to think we all suffer equally.

(It was David Ricardo who first clearly formulated the law of rent, which derives from the advantages of one site over

another. It is truly ironic in our relativistic age that we should fail to understand the relative nature of rent - the one thing in political economy that is fundamentally relative. Rent cannot be abolished until the advantages of any one site over another are abolished.)

11. The Myth of Over Population.

Ever since Thomas Malthus' famous essay on population, we have resigned ourselves to the theory of over population, which holds that humanity increases at a rate which outstrips the earth's ability to sustain it. (Charles Darwin freely admitted that Malthus was a formative influence on him. One suspects that Malthus may also have contributed to Schopenhauer's poisoned view of the world and, through Schopenhauer, possibly to Nietzsche's profound despair.)

Those who contend that the earth is over populated cite the mass famine and poverty of the Third World and the destruction of the rainforests as evidence. The logical process seems to be that such events could only happen if the earth was over populated. But the difficulty lies in the "only". Such events could happen if the earth was over populated, but they could also occur for other very different reasons. The trouble with the theory of over population is that (just like the theory of the just price) it provides a simplistic "solution" and thereby prevents a proper analysis of the problem; it merely circumscribes the problem and subverts the taking of further evidence.

The taking of further evidence will show a bewildering world in which less than sixty per cent of the world's available arable land is devoted to agriculture, in which there are massive stock piles of food surpluses in the EEC and elsewhere in the West, which are "dumped" in other countries, and in which the government intervenes to keep prices up. (This last intervention is effectively justified on a "just price" basis, the aim of the intervention being to ensure a "fair return" (principally wages) to the farmer, but only serving to increase the economic rent of agricultural land, while at the same time serving to reduce the real wages of the rest of the community by raising the cost of living.)

As Georgists will know, Henry George viewed the theory of over population as a pernicious attempt to justify economic injustice to the masses. Many pages in "Progress and Poverty" are devoted to proving it to be flawed. In his view, every birth brought into the world not merely another mouth to feed but also hands and feet with which it could obtain sustenance. Moreover, one great feature of man that distinguished him from all the other animals was his ability to use the reproductive forces in nature to husband and cultivate abundant fauna and flora which would more than provide for him. Indeed, in this century it has been the amazing scientific advances in fertilizers and animal foodstuffs that have caused agricultural productivity massively to increase, so much so that the prevailing problem is not over population but over production - why else do we have milk "quotas"?

George's view was that the problem of starvation was only the problem of poverty in a different form. It was the result of maldistribution of wealth. People starve because they cannot afford to buy food. There is no finer example of this than the Great Irish Famine of the nineteenth century. The Irish peasants paid their rent in the fine crops which they cultivated (corn, barley, etc.). They cultivated potatoes for their own sustenance. In 1845 the potato crop failed - but only the potato crop; huge amounts of other crops were harvested and exported from Ireland, while people rioted at the docks of the cities from which the ships carrying such crops departed. Over a million people died in the space of five years. They could have been saved; but the English placed their faith solely in the market. This was the great age of "economic liberalism", of freedom of contract. Adam Smith had demonstrated that interference with the market was both counter-productive and immoral. It was for this reason that the English authorities refused to intervene, maintaining that to do so would be to render the Irish a nation of "dependants" (in the literal sense). The Irish Famine is ~~perhaps~~ a great education in British economic mismanagement, not natural disaster, and perhaps a greater education - in how practical men can be slaves of defunct economists!

12. Property and Wealth

Of all the evils that George saw relativism, moral populism and (most of all) the idea of the social contract giving rise to, in his opinion there was none worse than the idea that property was a creation solely of human law. So ingrained in our approach has this idea become that we find the notion of natural (moral) rights of property very quaint and old-fashioned, to be lumped with strange mediaeval views on the evils of interest, the just price etc. - part of a "flat earth" view of the world which was perhaps understandable in its day but is now surely obsolete.

To George the concept of "property" was something sacred and inviolate, something much more profound than a mere matter of convention. What a society did or did not treat as property had profound implications for everyone in that society.

The moral issue was more topical in George's time precisely because he was writing in America not long after the southern states had lost the Civil War and the institution of slavery had been abolished. Nineteenth century economists who claimed to be pursuing a "value free" science of political economy had claimed that slaves must be treated as chattels (because legally they were considered to be so) and therefore a species of wealth; it was not for the political economist to cast moral judgement on the institution of slavery. George vehemently criticised this approach for, he said, far from being a "value free" science, it was a science that was value-dependant, for it depended on the current "view" that slaves were wealth. The abolition of slavery would therefore change the existing science and make it inapplicable.

This notion of what is truly a "value free" science of political economy is absolutely central to George's work. He was not writing just about the American economy, the industrialised world or the nineteenth century. His was a science of political economy that would be equally applicable to any society, primitive or sophisticated, industrial or agricultural, civilised or barbaric, past, present or future. In this respect, his intention and approach diverges markedly from the Marxian. (Moreover, it is precisely because of his intention and approach that George has the ability to speak to our own situation in the twentieth century, and will continue to have the ability to uplift the hearts and minds of generations to come.)

I do not propose to enter upon a detailed consideration of wealth and property here; it suffices to say that George's view was that the overriding principles of freedom and equality guaranteed to an individual the right of property in everything which he produced and the right of equal access to what was produced by no man: nature. All our ideas of property flow from our concept of ownership of chattels, in which ownership can be traced back from transferor to transferee even unto the original producer. That which has not been produced cannot be owned for there is no original person to pass on title.

George claimed that the principles of freedom and equality dictated that there could be no right of property in slaves or in nature (land). That man has no inherent, natural, moral concept of property in land can be tested empirically, by examination of the laws and customs of other peoples. There is and has been almost no tribe or race to whom the idea of contract and the duty to perform one's contract is not sacrosanct. But there have been (and are) numerous tribes and races who have no concept of ownership of land, among them the American Indians, the New Zealand Maoris and the Australian Aborigines. For those people, the land does not belong to them; rather, they belong to it.

George viewed the legal institution of property in land as not merely a morally neutral convention - such as a law requiring you to drive on the left hand side of the road - but as a usurpation of people's rights without their consent and morally pernicious as a consequence. This accords precisely with the Indian concept of land, under which individual Indians could agree not to use land and leave the white man to use it in peace, but such an agreement was a mere contractual obligation; it could not bind future generations of Indians who did not individually agree to it. Is such a perception so wide of the mark? Do we not all believe that no man may be bound by an agreement to which he is not a party? True, he may be prevented from taking the benefit without assuming the burden - but there is no benefit to the future generations of Indians, only a burden!

It is this idea of the benefit: burden principle that leads us (appropriately) to land value taxation. It is sometimes suggested that George was in favour of the legal nationalisation of land. He thought no such thing, and distanced himself from

anarchists who did. The right of property in wealth necessarily meant that one had to acknowledge the right of private property in buildings and other improvements to land. To George this was a moral imperative. In terms of property legislation, George was therefore in favour of the whole vast machinery of conveyancing and other laws which guarantees the right of property in buildings and other improvements to land.

But the right to exclude others from using "your" land was a privilege for which the others must be compensated. The others cannot be forced to take the burden of your exclusive use of a particular site if they do not have the corresponding benefit; which benefit is the payment of the economic rent of that site to the community - land value taxation. (Rent in this context is, of course, the annual amount which the site alone, and free of improvements, will command.)

To George, property in land was clearly a legal fiction. There was no natural, moral concept underpinning it. In an age which still believed in natural rights, his opposition set out to discredit him and to distort his arguments, to make believe that there was some inherent natural right of property in land. In our relativistic age, we simply laugh at the idea that there could be moral rights of property in anything, given that property rights of their nature bind the world, but relativism maintains that there are no universal moral values. Relativism does not see the lack of any natural rights of property in land as being a problem!

13. Taxation and Expropriation

Some years ago, an African state decided to seize the assets of a multinational oil company doing business within its borders. However, it did not do so by enacting expropriating legislation; it introduced a tax of 99.5% on the value. I think there was a Labour government in Britain at the time; at any rate, the reaction of Labour politicians was mute, given that their top rate of income tax was 98%. However, Conservative spokesmen deplored the action of the foreign state as "sheer expropriation". This brings us to the question of the moral basis for taxation and whether it differs from expropriation.

The technical difference between taxation and expropriation is that, generally, taxation is the imposition of a monetary obligation whereas expropriation is the seizure of specific assets. It is this great fact that prevents us from appreciating the truly pernicious effects of modern taxation. In Britain and America, we are appalled at expropriation and believe that there is no justification for a government seizing our property, whether that be the decision of the majority of society or not. Indeed, such action is almost certainly prohibited under the Constitution of the United States. And yet, although we dislike having to pay taxes, we do not regard them as equally pernicious.

Why do we not regard taxation as equally pernicious as expropriation? The traditional moral defences of taxation are

moral populism, utilitarianism and the social contract - but as we have already seen, George shot every one of these criteria to pieces. Is there, then, any moral justification for taxation? George's response was simple: just as Jesus exhorted us to render unto Caesar what is Caesar's, so too must we render unto the community what is due to the community.

Now, what is "due" to the community - literally, the result of the community - is the economic rent of land. This provides the natural fund from which tax should be paid (and incidentally, The Physiocrats, Adam Smith and David Ricardo had all pointed this out before George). All other taxation is truly immoral - a negation of fundamental property rights. For, taxes on wages mean that the state has the right to the labour of its members, which makes all men to some extent the slaves of the state - no wonder we call them our political "masters" and not political servants! Similarly, taxes on capital and interest are claims that the state is entitled to the private wealth of its members.

George saw the twentieth century socialist state, of nationalisation and high taxes, as morally barren:

"Modern socialism is in fact without religion, and its tendency is atheistic. It is more destitute of any central and guiding principle than any philosophy I know of. Mankind is here; how, it does not state; and must proceed to make a world for itself, as disorderly as that which Alice in Wonderland confronted. It has no system of individual rights whereby it can define the extent to which the individual is entitled to liberty or to which the state may go in restraining it. And so long as no individual has any principle of guidance it is impossible that society itself should have any." - Henry George (SPE).

The true principle of relativity which Einstein introduced is that the scientist is part of his own experiment and not separate from it. The position of the scientist has to be factored in, to be taken into account, because he is not outside and independent of what he observes. And in the moral realm, this warns us against all claims by individuals and governments to be superior to and separate from what they may observe and govern - who claim to be themselves exempt from the rules which they lay down for others.

The truth is that modern taxation is theft coupled with attempts to justify it by moral populism, utilitarianism and the theory of the social contract. But theft it is. And, if governments be so contemptuous of individual citizens' property rights, how can it complain when many of its citizens come to be just as contemptuous?! Governments are supposed to set an example, to be beyond reproach - not above the law.

14. Civilisation - Progress and Decline

Ask almost anyone nowadays what "civilisation" is and they will be unable to tell you. After a while they may tell you that we live in the civilised West, that civilisation consists in material advancement, that we have material luxuries that our ancestors could not have dreamt of. But to say this is to equate civilisation with sophistication; and one only has to visit New York to know that there is a difference. The ~~fact~~ ^{fact} is that we have suffered such a loss of faith in material progress that we are not sure what civilisation is any more.

The New Collins Concise English Dictionary defines "civilisation" as, inter alia, "an advanced state in social development" and "intellectual, cultural and moral refinement". If it is the latter we are concerned with, there can be little doubt that in the industrialised nations civilisation has declined in this century. If it is the former we are concerned with, the question is, surely: have we solved the great social problems of the nineteenth century, particularly the problems of poverty and homelessness? To which the answer must be no, and the reluctant conclusion that on this test too civilisation has declined.

Up to this point, the presumption may be that these are just matters of opinion, albeit matters of opinion on which many of us may be agreed. But this would not satisfy Henry George, a merciless foe of relativism. George strove to find objective definitions of civilisation and of progress, by reference to which it could be stated as a matter of objective fact whether civilisation had progressed or declined between one time and another. The whole of Book X of Progress and Poverty, entitled "The Law of Human Progress" is devoted to this.

"But this is the great fact with which we are concerned: That the differences between the people of communities in different places and at different times, which we call differences of civilisation, are not differences which inhere in the individuals, but differences which inhere in the society....

....What then, is the law of human progress - the law under which civilisation advances?

It must explain clearly and definitely, and not by vague generalities or superficial analogies, why, though mankind started presumably with the same capacities and at the same time, there now exist such wide differences in social development. It must account for the arrested civilizations and for the decayed and destroyed civilizations; for the general facts as to the rise of civilization and for the petrifying or enervating force which the progress of civilization has heretofore always evolved. It must account for retrogression as well as for progression....

....To compare society to a boat. Her progress through the water will not depend upon the exertion of her crew, but

upon the exertion devoted to propelling her. This will be lessened by any expenditure of force required for bailing, or any expenditure of force in fighting among themselves, or in pulling in different directions.

Now, as in a separated state the whole powers of man are required to maintain existence, and mental power is set free for higher uses only by the association of men in communities, which permits the division of labour and all the economies which come with the co-operation of increased numbers, association is the first essential of progress. Improvement becomes possible as men come together in peaceful association, and the wider and closer the association, the greater the possibilities of improvement. And as the wasteful expenditure of mental power in conflict becomes greater or less as the moral law which accords to each an equality of rights is ignored or is recognized, equality (or justice) is the second essential of progress.

Thus association in equality is the law of progress.

....Here is the law of progress, which will explain all diversities, all advances, all halts and retrogressions. Men tend to progress just as they come closer together, and by co-operation with each other increase the mental power that may be devoted to improvement, but just as conflict is produced, or association develops inequality of condition and power, this tendency to progression is lessened, checked, and finally reversed." - Henry George (P & P).

Henry George, like Nietzsche, saw the end of the nineteenth century as a turning point of world historical importance. George, like Nietzsche, has an amazing capacity to speak to us in our current condition:

"A civilisation like ours must either advance or go back; it cannot stand still.

....what has destroyed every previous civilisation has been the tendency to the unequal distribution of wealth and power....

Now, this transformation of popular government into despotism of the vilest and most degrading kind, which must inevitably result from the unequal distribution of wealth, is not a thing of the far off future.....that men of the highest ability and character are compelled to eschew politics, and the arts of the jobber count for more than the reputation of the statesman; that voting is done more recklessly and the power of money is increasing; that it is harder to arouse the people to the necessity of reforms and more difficult to carry them out; that political differences are ceasing to be differences of principle, and abstract ideas are losing their power; that parties are passing into the control of what in general government would be oligarchies and dictatorships; are all evidences of political decline....

The type of modern growth is the great city. Here are to be found the greatest wealth and the deepest poverty. And it is here that popular government has most clearly broken down. In all the great American cities there is today as clearly defined a ruling class as in the most aristocratic countries of the world.....
.....there are many election districts in the United States in which a George Washington, a Benjamin Franklin or a Thomas Jefferson could no more go to the lower house of a state legislature than under the Ancient Regime a baseborn peasant could become a Marshal of France. Their very character would be an insuperable disqualification." - Henry George (P & P).

Henry George's power of prophecy was uncanny. This nineteenth century American who could have had no knowledge of the rise of communism, fascism, Nazism or militant Islam, foresaw our century in these terms:-

"Strong, unscrupulous men, rising up upon occasion, will become the exponents of blind popular desires or fierce popular passions, and dash aside forms that have lost their vitality. The ^{word} will again be mightier than the pen, and in carnivals of destruction brute force and wild frenzy will alternate with the lethargy of a declining civilisation." - (P & P).

A century before Allan Bloom referred to a coming illiteracy, George foresaw the rise of Britain's and America's new "under class":-

"Whence shall come the new barbarians? Go through the squalid quarters of great cities, and you may see, even now their gathering hordes! How shall learning perish? Men will cease to read, and books will kindle fires and be turned into cartridges!" - Henry George (P & P) - 1879.

"...whatever the cause, our students have lost the practice of and the taste for reading. They have not learned how to read, nor do they have the expectation of delight or improvement from reading....

....Imagine such a young person walking through the Louvre or the Uffizi, and you can immediately grasp the condition of his soul. In his innocence of the stories of Biblical and Greek or Roman antiquity, Raphael, Leonardo, Michelangelo, Rembrandt and all the others can say nothing to him. All he sees are colours and forms - modern art....
....Teachers of writing in state universities, among the noblest and most despised laborers in the academy, have told me that they cannot teach writing to students who do not read, and that it is practically impossible to get them to read, let alone like it. This is where high schools have failed most, filled with teachers who are products of the sixties and reflecting the pallor of university-level humanities....

....As it now stands, students have powerful images of what a perfect body is and pursue it incessantly. But deprived of literary guidance, they no longer have any image of a perfect soul, and hence do not long to have one. They do not even imagine there is such a thing." - Allan Bloom (CAM) - 1987.

Now, are these signs of progress in "intellectual, cultural and moral refinement"?

Conclusion.

Henry George was a philosopher, journalist and politician who searched for eternal truths. He is one of the great writers - great literary artists - in political economy, perhaps the greatest. He numbers among great philosophers like Plato, Hume, Schopenhauer and Nietzsche, who are truly a pleasure to read and to whose words one can never do justice. It is my great hope that we may encourage people to discover for themselves the countless riches in his works - above all in "Protection or Free Trade", "Progress and Poverty" and "The Science of Political Economy". There is no nineteenth century writer who better addresses the problems of our age.

If, upon reflection, you too consider relativism and nihilism to be the darkest shadows cast across this century, you may agree with me that there can be no finer tribute to Henry George than to repeat the words of the Apostle John, made famous in quite a different context:

"In him was life, and the life was the light of men. The light shineth in darkness, and the darkness comprehendeth it not."

Ian Lambert