

is impossible. Those who produce, whether by their capital or labour, must be dependent on those able to cut them off from the land which is the source of all production. In any such society individual development must be warped and class hatred engendered.

Max Hirsch in *Democracy versus Socialism*, published in 1901, examined and answered this question in masterly fashion, applying to his time the principles of Henry George's *Progress and Poverty*, a classic which no serious student of social thought could possibly miss. Both these works pointed to a supremely practical remedy which dispossesses no landholder, nationalises no man's capital, which makes self-reliance possible for every producer, whether he produce by capital or labour. The omission of any

reference to this remedy in the pamphlets of the Individualist Bookshop creates some uneasiness.

Obstacles to Enlightenment

Experience shows it is easier to interest the masses in this remedy of full economic liberty than in a Free Trade which limits the principle to the freedom of exchange failing to preach also the freedom of production. Perhaps this fact is realized by those who take such precautions even against attempting publicly to refute this remedy. The attempt might arouse too much interest in this claim to an equal right to our native land! Advertised as much as a popular brand of whisky the idea of land-liberty, with its guarantee of security as well as freedom, might inspire the masses to achieve this first and greatest

step in democracy's Counter Reformation. But who would pay for an advertisement which served no special interest and in fact threatened both private and public monopoly? "Everybody's business is nobody's business" in the world of propaganda as elsewhere.

The Opportunity

Nevertheless, the prevalent cynicism already provides some opportunity to extend objective discussion. Events after the war may suggest to millions that the best safeguard of a man's prosperity and security is after all to think for himself and not with the crowd. Then true individualism may be saved by a great effort of intellectual courage repudiating any hope of preserving that greatest of all monopolies which by its effects has already shaken men's faith in some of the noblest of our traditions.

ADAM SMITH'S CANONS OF TAXATION

IN A broadcast on Adam Smith and *The Wealth of Nations* (reprinted in the *Listener*, 18th June), Dr C. R. Fay paid tribute to the genius of the great political economist. It is rather strange, however, to read: "He was ahead of his age, ahead of his distant successor John Stuart Mill, in advocating the progressive taxation of the rich." This is far from an accurate description. Adam Smith says: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate." The first of these sentences does not contemplate progressive or graduated taxation; neither does the second, although it may perhaps mean that the contribution to taxation should be proportioned to the benefit which the taxpayer receives from the state. The other three of the famous canons of taxation relate more to economy and efficiency of the machinery by which taxation is collected than to the principles upon which it should be based.

Adam Smith proceeds to examine certain specific forms of taxation of which the first is taxes on the rent of land. Such a tax may be a fixed charge on the land, and this in the case of Great Britain has been to the advantage of the landlords, "rents of almost all the estates of Great Britain having, since the time when this valuation was first established been continually rising and scarce any of them having fallen." He then proceeds to consider "a tax upon the rent of land, which varies with every variation of rent." He considers that "a land tax of this kind is certainly more equal than the land tax of England" despite the fact that the expense of levying it might be somewhat greater. He goes on to point out "the discouragement which a variable land-tax of this kind might give to the improvement of land," but suggests that "this objection might, perhaps, be obviated, by allowing the landlord, before he began his improvement, to ascertain, in conjunction with the officers of revenue, the actual value of his lands, according to the equitable arbitration of a

certain number of landlords and farmers in the neighbourhood, equally chosen by both parties; and by rating him, according to this valuation for such a number of years as might be fully sufficient for his complete indemnification." Thus he adumbrates the idea of land-value taxation—the distinction between the value of the land itself and that of the improvements on it. The same point of view is present when he deals with taxes and tithes on the produce of the land which "under the appearance of perfect equality are very unequal taxes; a certain portion of the produce being, in different situations, equivalent to a very different portion of the rent."

So far Adam Smith has in mind taxes on agricultural land. When he comes to taxes on the rent of houses he says: "The rent of a house may be distinguished into two parts, of which the one may very properly be called the building-rent; the other is commonly called the ground-rent. The building-rent is the interest or profit of the capital expended in building the house. . . . Whatever part of the whole rent of a house is over and above what is sufficient to afford this reasonable profit, naturally goes to the ground-rent. . . . This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation."

He then enters into a somewhat discursive examination of the incidence of a tax on the house-rent which he considers would be borne partly by the occupier having to take cheaper accommodation and partly by the ground-landlord. In this connection he says that such a tax would fall unequally upon the inhabitants of different houses. He thinks that the rich spend a larger proportion of their income upon house-rent than the poor and that such a tax would "fall heaviest upon the rich." (Whether the facts were so in Adam Smith's day or not, they are different now.) It is in this connection that he remarks that "it is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion."

As to the ground-rent, Adam Smith says: "Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rent would not raise the rent of houses; it would fall altogether upon the owner of the ground-

rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground." And again: "Both ground-rents, and the ordinary rent of land, are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents and the ordinary rent of land, are therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them."

"Ground-rents seem, in this respect, a more proper subject of peculiar taxation, than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly, at least, to the attention and good management of the landlord. A very heavy tax might discourage, too much, this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund, which owes its existence to the good government of the state, should be taxed peculiarly, or should contribute something more than the greater part of other funds, towards the support of that government."

"Though, in many different countries of Europe, taxes have been imposed upon the rent of houses, I do not know of any in which ground-rents have been considered as a separate subject of taxation. The contrivers of taxes have, probably, found some difficulty in ascertaining what part of the rent ought to be considered as ground-rent, and what part ought to be considered as building-rent. It should not, however, seem very difficult to distinguish those two parts of the rent from one another."

It will be seen that Adam Smith's reference to progressive taxation was merely an *obiter dictum*, extenuating what

considered to be the incidence of a tax on house-rents. It would be far more accurate to call him an advocate of land-value taxation. Much remained to be done to give the matter precision, but the essentials are all here: That land value is unearned, that it is due to the activities of the community, and that a tax on it will not discourage the production of wealth.

Space does not permit us to deal exhaustively with Adam Smith's observations on other forms of taxation. It may be

observed that he does not favour a tax upon wages. He does not disapprove of a tax on interest, but says: "There are, however, two different circumstances, which render the interest of money a much less proper subject of taxation than the rent of land. First, the quantity and value of the land which any man possesses, can never be a secret, and can always be ascertained with great exactness. . . . Secondly, land is a subject which cannot be removed; whereas stock easily may. . . ."

Stock cultivates land, stock employs labour. A tax which tended to drive away stock from any particular country would so far tend to dry up every source of revenue, both to the sovereign and to the society."

These are considerations of great importance, and still too often overlooked in discussions of taxation. They are much more Adam Smith's contribution to the subject than the casual mention of taxing the rich somewhat more heavily than the poor.

CATHOLICS AND HENRY GEORGE

THE PRACTICAL proposal put forward by Henry George was progressively to reduce the taxation levied upon buildings, commodities and other forms of wealth and to replace it by a tax on the site value of land. In an article in the *Social Justice Review** (February, 1942) Mr Frederick J. Zwierlein endeavours to make out that this is a proposal which cannot be supported by Catholics.

The main ground upon which this is argued is that Henry George's plan has been condemned by Rome. The matter became a subject of acute controversy in the eighties of last century when Father Edward McGlynn, parish priest of St Stephens, New York, took an active part in advocating Henry George's proposal—a course of conduct which brought him into conflict with Archbishop Corrigan and ultimately led on 3rd July, 1887, to his excommunication. It is to be observed, however, that the formal ground of this action was Dr McGlynn's disobedience to his ecclesiastical superiors, and not the truth or otherwise of his views. In fact there was not then and never has been any condemnation of Henry George's programme.

Mr Zwierlein however quotes a letter from Archbishop Corrigan to Bishop McQuaid, dated 24th April, 1889, in which he says: "Yesterday I received, *sub secreto S. Officii*, a document announcing the condemnation of Georgism, by decree of 6th February, and requesting the communication of said decision to the Bishops of the Province, *sub eodem sigilli*. The matter is not to be made public, but we are expected to watch over the integrity of the faith." What was thus communicated under the seal of secrecy has never been made public, and all we know of it is that Archbishop Corrigan regarded it as completely vindicating his course of action.

If the matter had remained there, it would be natural and justifiable to assume that Rome had finally and definitely condemned Henry George's proposal, but it did not. In 1892 Archbishop (afterwards Cardinal) Satolli visited America as Papal Ablegate to the Church in the United States, and made it known that he had been instructed to enquire into the McGlynn case. Father McGlynn drew up a statement of his teaching and submitted it to Monsignor Satolli, who directed it to be examined by a committee of four of the Professors of the Catholic University of Washington, and they declared it "to contain nothing contrary to Catholic teachings." On 23rd Decem-

ber, 1892, the Papal Ablegate announced from Washington that Dr McGlynn was declared free from ecclesiastical censures and restored to the exercise of his priestly functions. Three weeks later Monsignor Satolli drew up a lengthy statement reviewing the case in which he declared that "Dr McGlynn had presented a brief statement of his opinions on moral-economic matters and it was judged not contrary to the doctrine constantly taught by the Church, and as recently confirmed by the Holy Father in the Encyclical, *Rerum Novarum*."

It is perfectly clear that Monsignor Satolli was sent to America with full power and express instructions to settle the McGlynn case. Moreover, it was examined upon its merits and not upon side issues as to whether Dr McGlynn had been lacking in obedience to his superiors. If any confirmation of this was needed it is to be found in the book by Mr Arthur Preuss entitled *The Fundamental Fallacy of Socialism*, to which Mr Zwierlein refers. Mr Preuss holds that Monsignor Satolli and the professors made a profound mistake in their decision, but he has no doubts as to what they decided. He says that the tenets of Henry George and of Dr McGlynn are "essentially the same" and that Dr McGlynn "was absolved from censure by Mgr Satolli without being requested to retract his former teaching." He not only did not retract it, but continued to expound it.

After the publication of the Encyclical *Rerum Novarum* the view was certainly held by many people that it contained an implicit condemnation of Henry George's proposal, although no specific mention was made of that. Henry George himself thought so and in 1891 wrote his book entitled *The Condition of Labour* as an open letter to the Pope. At the same time an Italian translation was published and a specially bound copy was presented to Leo XIII by Monsignor Caprini, the prefect of the Vatican Library. It is therefore clear that by the time Monsignor Satolli was sent to the United States the Holy See was well acquainted with the nature of Henry George's policy. The significance of the decision in the McGlynn case is therefore evident, and, being published, it must be taken to have overridden any previous secret decision of a contrary nature. It is hardly seemly or reasonable for Mr Zwierlein to call the decision in the McGlynn case a "mystery of iniquity."

If there had been a mystery to be cleared up, one might expect to find it dealt with in the Encyclical *Quadragesimo Anno*. This was issued on the fortieth

anniversary of *Rerum Novarum* and one of its purposes was to resolve doubts which had "arisen concerning the correct interpretation of certain passages of the Encyclical (*Rerum Novarum*) or their inferences." What the later Encyclical does say is this: "First, let it be made clear beyond all doubt that neither Leo XIII, nor those theologians who have taught under the guidance and direction of the Church, have ever denied or called in question the twofold aspect of ownership, which is individual or social according as it regards individuals or concerns the common good."

This is precisely the theme which is developed in the statement which Dr McGlynn submitted to Monsignor Satolli, as the following extracts will show:

"All men are endowed by the law of nature with the right to life and to the pursuit of happiness, and therefore with the right to exert their energies upon those natural bounties without which labour or life is impossible. . . ."

"But it is a necessary part of the liberty and dignity of man that man should own himself, always, of course, with perfect subjection to the moral law. Therefore, besides the common right to natural bounties, there must be by the law of nature private property and dominion in the fruits of industry or in what is produced by labour out of those natural bounties to which the individual may have legitimate access, that is, so far as he does not infringe the equal rights of others or the common rights."

"It is the chief function of civil government to maintain equally sacred these two natural rights."

"It is lawful, and it is for the best interests of the individual and of the community and necessary for civilization, that there should be a division as to the use, and an undisturbed, permanent private possession of portions of the natural bounties, or of the land; in fact, such exclusive possession is necessary to the ownership, use, and enjoyment by the individual of the fruits and products of his industry."

"But the organized community through civil government must always maintain the dominion over those natural bounties, as distinct from the products of industry and from that private possession of the land which is necessary for their enjoyment. . . . The assertion of this dominion by civil government is especially necessary because with the very beginning of civil government and with the growth of civilization, there comes to the natural bounties, or the land, a peculiar and an increasing value distinct from and irrespective of the products of private industry

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