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A Letter from Henry George

By Jakob E. Lange.

The following letter dated December 24th, 1888, but of the highest actuality for 1939, was written to me by Henry George :

My dear Sir,—I was under the impression that I had answered your letter of August last, and if you have not received an answer, I am afraid it must have gone astray by misdirection.

As to your question : I have not deemed it expedient, in the first place, to dwell much on details, but I have all along stated that in my opinion the mortgagor and the mortgagee should be considered joint owners, so that in any destruction of value caused by the land-values tax, their loss should be proportional. In other words, I coincide entirely with your view and would have the mortgagee treated as a joint owner, as to such part of his mortgage as was really based upon the value of the land. I trust this will answer your purpose.

I congratulate you on the good work you are doing and take the liberty of publishing in "The Standard" the items of cheering news which you send.

Our doctrines are making steady progress here, in Gt. Britain and in Australia, and I think now it is only a question of time when they shall come into practical issue.

Your English is excellent—so good in fact that I fancy you must have become habituated to it in your youth.

Can you not write for "The Standard" occasionally something concerning the progress of the movement in Scandinavia. Neither I nor any of my immediate friends here have any knowledge of your language and so are cut off from information and contact.

With hearty good wishes and many thanks, I am yours truly,

HENRY GEORGE.

Letters on economic matters from Henry George are scarce and therefore always valuable to his followers. But when, as in this case,

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the letter gives his opinion on a problem of wide and increasing importance its paramount significance becomes evident.

The letter gives the view of Henry George on the mortgage-problem in its relation to land-value taxation (the nationalization of rent) with such clearness that commentaries so far are superfluous. But as a natural background for the answer I had perhaps better briefly recapitulate under what conditions my letter was written, in which I stated the case and put my question to him.

About New Year, 1888, I published in a Danish periodical a series of articles about the ideas of Henry George—with which I had become acquainted a year before in London. Already in '86 *Progress and Poverty* had been translated by the eminent Norwegian educationalist V. Ullmann. Thus began the first Danish movement which particularly took hold within certain adult-education circles and their former pupils among the liberal-minded, enlightened Danish peasant farmers. The movement was from the very beginning strongly opposed and attacked from almost all sides, not only by conservatives and reactionaries but also by liberals of the old Manchester school whose creed was "private property in land, unlimited," and "free competition" tempered by a graduated income tax. The protagonists were few and far between—but we were young and active and did our best.

From the very beginning it was perfectly clear to me that if we would make headway for the cause we could not avoid tackling the mortgage problem which in Denmark was already then of overwhelming importance, more so than anywhere else in a farming population.

Briefly the situation was this :

The majority of the Danish farmers had become proprietors in the course of the last two generations, buying the freehold of the farms which they had hitherto held as life-tenants under the manorial lords. Only about one quarter were still tenants. The former landlords now in many cases held a mortgage on the farms which they had sold to their tenants, thus receiving in *interest* about the same amount which they had formerly received in *rent*.

About 1880 an agricultural crisis had set in, reducing the actual value of the farms. The peasant-proprietors now strove hard to weather the storm by intensive cultivation and dairy-farming, which again increased their indebtedness, so that in extreme cases the mortgages almost equalled the total value of the farm.

Now if we were to demand the imposition of a land values tax (as a means to nationalize land-values) without in any way taking into account the existence of these mortgages, we would place ourselves in an impossible situation in two ways : as well with regard to the tenants *versus* the peasant proprietors as concerning the debt-ridden and the debt-free farmers.

The farmer who had remained a life-tenant would avoid the tax altogether, as the tax would be paid by the landlord who could not shift it onto the shoulders of his tenants by adding to their rent. But the great majority of the farmers who had bought their farms would have

the tax put on their land while having at the same time to pay full interest on their mortgage—most likely to the same landlord to whom they formerly paid their rent. The position of the large landed noble families would also be rather awkward. Those of them who had sold to their tenants now possessed enormous invested capitals, secured by mortgages, which would escape taxation altogether, while those families who had declined to sell would be the subject of a heavy land-values tax, probably confiscating more than half their property.

The other impossible situation (if no measure was taken to bring the mortgagee under the tax) was this, that a farmer with mortgages, even such high ones that they overreached the chimney-pots (as we say) would have to pay as great an amount of land-values taxation as his neighbour who held a similar farm entirely free of debt. If the imposition of the land-values tax was compensated by the reduction or abolition of the income tax and indirect taxation the debt-free farmer would be greatly benefited, while the debt-ridden one would only escape the indirect taxation on his limited consumption.

A tax-reform which would surcharge one set of farmers while letting the other (the tenants) escape, which would relieve the debt-free farmer of his present taxes and throw the burden onto the shoulders of his weaker neighbour, would be foredoomed to failure. The nationalization of rent through a land-value tax could only win the day if the mortgagee and the mortgagor in some way or other could be brought to share the burden, as joint owners of the land-values.

This view, which in 1888 I thus put to the verdict of Henry George and the soundness of which he warranted, time has brought to the test. And what do we see?

Only in cases where the mortgage-problem did not exist or could be ignored have we been able to make any headway for land-values taxation. In new countries like New Zealand and Australia a (very moderate) general land-values tax has been introduced (chiefly supported as a means to hit the owners of enormous tracts of land, mostly absentees). A wider success has been attained, where we have set in to secure the transformation of existing taxes on "real estate" into a land-values tax. This important (but limited) reform has been carried through for instance, in Western Canadian towns and partly in Denmark. And in spite of the unrelenting and furious opposition of capitalistic conservatism we may look forward to see the same done in the English towns, as a result of the strenuous and admirable work done by our English friends. But land-values nationalization as the main means to the abolition of indirect taxation, customs houses, etc., is still a "melody of the future."

In a country like England, where most of the land is still in the hands of a limited aristocratic landlord-class, an active democratic-revolutionary parliament, with a strong man at the helm, might make up its mind to sweep the board by "on a certain appointed day" declaring the rent of land public property (as some of the Georgeites in that country propose). But in countries like U.S.A. or Denmark, where the ideal of the people is a democratic subdivision of the land, every man to cultivate

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his own land and build his home on his own site—and where consequently—under present social-economic conditions—mortgages are increasing day by day, the problem of land-values nationalization is intimately interwoven with the problem of the bonded debt and cannot be solved without settling this problem in one way or other.

This problem therefore is *the problem of the day*, the more so the more advanced the country in question is in the direction of land-values taxation.

Take the case of Denmark. The step-by-step reform policy, although slow, has with us not been without success. We have at present a small national land-values tax, and the tax on "real estate" for local purposes is partly (in the country mostly) transformed into a land-values tax. We have secured a general land valuation of a high standard (maps showing the value of every building-site in our towns!). The principle of land-values taxation is consequently fairly well grasped by the public and the politicians. Even more important is the fact that the *new settlements of smallholders* are built up on Georgian principles: the owners paying interest in full to the state on the value of their land, exclusive of improvements; thus giving a practical illustration of the value and workability of our plans.

This relative success has been attained because we have secured the support of democracy in general and particularly of the small holders, while the resistance of the reactionary forces has been much weaker than in England.

All this has been the work of some forty years. But if we were to limit ourselves to such slow step-by-step work Georgeism in the public eye would sink to a kind of "revisionism" instead of being the true "fundamentalism," bent on laying the foundation-stones for a new humanity.

The idea of the infinitesimal changes as the way of all true evolution, which reigned supreme at the end of the 19th century, is dead and gone. Scientists as well as public leaders understand that evolution proceeds in leaps and bounds. A cause to catch the ear of the public and engage their will to conquer must appeal to their imaginations, must show them the way to a new world.

The older generation of Georgeites—to which I belong—have tried to pave the way and fill up the swamps of ignorance. To the next generation we dedicate the task of setting the train in motion towards the land of the future—as far from cut-throat competition as from enforced state-socialism—the land of freedom and voluntary co-operation which we shall reach, if we follow the standard raised 60 years ago by the prophet of San Francisco.

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