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**HENRY GEORGE:
HIS CONTINUING RELEVANCE**

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INTRODUCTION

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Introductory remarks to a collection of the writings of diverse authors often consist of encomia directed to the authors, as well as laudatory synopses of their respective contributions to the collections. In the case of the authors whose thoughts are contained herein, no such panegyric is required. Each has established a solid reputation in the subject of the conference, namely the economics of Henry George.

Although the economic and social philosophies propounded by Henry George are not the stuff which makes for headline treatment on the evening news, the authors represented in this collection have demonstrated that the economic "stuff" which is accorded journalistic treatment constitutes the economic fabric of society about which George wrote so penetratingly. In point of fact one does not have to look long before one finds governmental policies which reflect, at least in part, the prescriptions of George.

Take, for example, the proposal of President Reagan to return certain social programs to the states. Dr. Kerekcs demonstrates that an application of Georgist economics to the tax/transfer system is entirely compatible with contemporary fiscal policy.

Another timely example of George's modern relevance is cited by Professor Harriss. The seemingly perpetual multilateral negotiations among nations which are trading partners is a clear manifestation of George's observations that mutual tariff barriers serve to deprive all parties of the benefits of free trade.

Professor Netzer is strongly in the tradition of Henry George in more ways than one. Those who are familiar with George's life know that he was no stranger to controversy. Nor is Professor Netzer. Professor Netzer's trenchant analysis of the social impediments to an optimal scheme for land value

taxation demonstrates that a misconceived governmental tax policy resulted in the "cheating" of taxpayers. The result was, naturally enough, a so-called property tax revolt. Professor Netzer's analysis is wholly within the spirit of the Georgist philosophy regarding land value taxation.

Professor Genovese's remarks show a side of Henry George's persona which does not seem to be widely known. Professor Genovese points out that George wanted a basically competitive order driven more by love or sympathy than by self-interest. This philosophy of economic governance led George to espouse a method of taxing away monopoly profits as well as public ownership of utilities. It will be recognized that these policy prescriptions have been as avidly endorsed by those of so-called "liberal" political sympathies as his free-trade theories have been endorsed by those of a "libertarian" persuasion

In sum, the observations which follow will not only amply reward a careful reading, they will also indicate the breadth and accuracy of Henry George's prophesies.

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HENRY GEORGE: HIS CONTINUING RELEVANCE

Introductory Remarks

Gabriel Kerekes

This is indeed the time to discuss Henry George because, in this country, both politics and economics have reached a standstill which only an acceptance of the Georgist principle can solve. Fifty years of Keynesian economics have run aground on the paucity of resources and consequent inflation. Supply-side economics, which was supposed to take up the slack, does not get adequate time and opportunity in the present political climate. What our society lacks today is new thoughts, new structure, perhaps a new ideology which would rescue the economy from its abyss of unproductivity and pessimism.

Under these circumstances, it would appear timely to re-evaluate Henry George's proposal for Land Value Taxation (LVT), its relevance to supply-side theory and its potential for a solution to the strangling fiscal-monetary bind. Mr. George still has a body of highly dedicated followers among the intelligensia of this country and other countries, just as he has had for over a century, since the publication of Progress and Poverty first captured the intellect and imagination of what turned out to be many millions of readers. To a doctrinaire Georgist the advocacy of LVT is a compelling argument anytime and anywhere, but not in a long time has this proposal appeared to be as propitious as it is at present, with the crisis in the United States and the emerging new Federalism.

Basically George was a laissez-faire economist, protagonist of equal opportunity and free competition--a supply sider, par excellence, one is tempted to say. He attributed efficient production and fair distribution to the elasticities of the market place. But he believed, with equal conviction, that the inelasticity of space and the natural characteristics of land created a unique and powerful monopoly for the benefit of its owners, a privilege so effective that it tended to pervert all the surplus of human labor and man-made capital into unearned increment to the land-owner. Although his initial argument was intended to be moral and philosophical, he pointed out convincingly that the price of land and the cost of rent are inhibitive of economic activity. It was his thesis that this fact accounted not only for economic inequality, but also for the low level of economic activity which seems, sooner or later, to pervade every area of economic growth and turns progress inevitably into poverty. His proposal of LVT was intended not only to remedy an inequity which he found repugnant, but also to stimulate economic activity by decreasing the relative value of land as a factor of production and the role of rent as a cost to enterprise and to existence.

Land Value Taxation has been subjected to a century of heated controversy. Its unassailable logic turns the concept into a dogma to its followers. Its potential revisionary effect upon the distribution of wealth and income makes it anathema to the vested interests which have effectively frustrated the application of LVT in this country. At a federal level the issue could not be tested because the right to impose LVT rests with the respective states under the constitution. The individual states, although lamenting what they term the preemption of all good sources of taxation by the federal government, never dared to challenge the no tangere placed on LVT by the real estate lobbies.

The proposal of the President to return certain social programs to the states creates a new need for state level tax sources, and also a new opportunity to capture them. Where will the new burdens fall? If the federal government returns revenues or revenue sources to the states commensurate with the cost of the programs, the states might not be adversely affected; but the federal government's critical problems remain. If, somewhere in the process, the programs should be drastically curtailed, social peace might be endangered. If the states receive the burden of the programs without adequate federal funding, their own revenue sources would become severely strained, in some instances to the breaking point.

To a follower of Henry George the solution is a simple one: Let the federal government transfer the programs and offer no funding, allowing a transitional grace period. Let the pressure of the federal government, of public opinion, and of fiscal necessity force the states to adopt Land Value Taxation, to a modest degree at first. This is a tax easy to enforce and hard to escape. (Who ever heard of flight of land?) It is easy to collect, (place a lien on delinquent land and auction it off) equitable, certain, convenient and economical, as prescribed by Adam Smith. For the supply-sider there is finally a new fiscal step that will foster productive incentive, a measure whose benefits cannot be perverted into consumer spending, nor turn unproductive investment into government obligation.

WHY YOU SHOULD READ PROGRESS AND POVERTY

Frank C. Genovese

I come here today with a piece of advocacy and appeal to your intellect, your curiosity and your concern with the subject of economics. Your motivation for studying the subject must be, at least in part, that you feel it has to do with human well being. I come to urge you to read one of the great books on the subject of Economics -- Progress and Poverty, written by Henry George in 1879.

It may be well to tell you first why you should be interested enough in the history of economic thought to read the masters. Addressing this point, Vincent Bladen said:

It is not an antiquarian interest that I want to promote, for I believe that contemplation of the work of the great economists of the past will increase... understanding of current economic writings and of the contemporary economic world. This last is the most important, and I would add that I am concerned to increase understanding in order to improve the quality of human life. My concern goes beyond the positive science of economics to the art of political economy, to problems of economic policy.¹

While it is important to increase everyone's understanding of economic matters, it is particularly important for economists to be as fully equipped as possible. Perception, imagination and reason are qualities Professor Marshall felt were needed, and Boulding has mentioned "insight" and "logic" as part of the desirable equipment.

Bladen felt comfortable in the ability we, as teachers, have to teach positive economics, that of mathematics and logic, but he feared such teaching could inhibit the development of imagination, insight, and judgment.

I wonder if we do not dull the moral sense of the economic technicians we are developing. Are we worldly philosophers or are we engineers, and would it not be best if we were both?

Since the ideas of economists become reflected in legislation and affect culture and living standards, is it not important that they be not only sound but also just?

There is one aspect of the training of economists which is seldom mentioned; it is one in which we can take inspiration from Henry George. It is training in communication techniques. George was a superb communicator; his writing was precise, uncomplicated, and at the same time lyrical. And we must believe, from the enthusiastic responses he elicited from audiences, that he was also an extremely talented speaker. All too often in our field we put a positive premium on bookishness and labyrinthine prose. We sometimes confuse public presentations with intellectual prostitution. Remarkably, we associate public presentation with "money grubbing", and this in a primarily private enterprise society.

Let us not fall into this narrow-minded trap. Let us seek the very best reasoned and researched economics, which takes cognizance of human well being, and let us learn how to bring it to the bar, not just of professional opinion, but to the more difficult bar of public opinion. Let us not rest on the assumption that sound ideas will be picked up and publicized by others with little effort on our part to encourage them. Part of the ability to practice the art of economics must rest upon our ability to communicate.

However, one must tread lightly on this point since there is much opinion among economists that "...the ills and shortcomings of our science are due to the scientific incompetence of very many economists who never learned their own business and turn to politics and philosophy because they are not up to the tasks of the scientist."² And Lionel Robbins in his Essay on the Nature and Significance of Economic Science³, expresses the general opinion that economics is the happy hunting ground of those adverse to the rigors of thought.

Schumpeter was able to condone preachment when it was solidly based. One feels sure he would endorse the statement of Arthur Burns that:

An economic theorist is justified on many occasions in oversimplifying facts to clarify in his own mind what he believes to be significant relationships. He is likewise justified in bringing the results of his speculative inquiries before his colleagues, whether to seek their critical appraisal before going further or to stimulate them by his work. As long as the economist moves within these boundaries, he may be excused even for not making a strenuous effort to discover how seriously he has distorted the facts by his simplifying assumptions. But when he attempts to give practical advice, he loses his license to suppose anything he likes and to consider merely the logical implications of

untested assumptions. It then becomes his duty to examine with scrupulous care the degree in which his assumptions are factually valid. If he finds reason to question the close correspondence between the assumptions and actual conditions, he should either not undertake to give any practical advice, or frankly and fully disclose the penumbra that surrounds his analysis and the conclusions drawn from it. Better still, he should rework his assumptions in the light of the facts and see whether he is justified on this new basis in telling men in positions of power how they should act. Economics is a very serious subject when the economist assumes the role of counselor to nations.⁴

Schumpeter was very respectful of Henry George, who was called "the Prophet of San Francisco" by his multitudes of admirers, a title which had been derisively thrust upon him by the Duke of Argyll. Schumpeter tended to distrust philosophers, but of George, the Prophet, he said:

But we cannot afford to pass by the economist whose individual success with the public was greater than that of all the others on our list, Henry George. The points about him that are relevant for a history of analysis are these: He was a self-taught economist, but he was an economist. In the course of his life, he acquired most of the knowledge and the ability to handle an economic argument that he could have acquired by academic training as it then was. In this he differed to his advantage from most men who proffered panaceas...he was a very orthodox economist and extremely conservative as to methods...up to and including Mill's treatise, he was thoroughly at home in scientific economics; and he shared none of the current misunderstandings or prejudices concerning it. Even the panacea -- nationalization not of land but of the rent of land by a confiscatory tax -- benefited by his competence as an economist, for he was careful to frame his "remedy" in such a manner as to cause the minimum injury to private enterprise economy.

Professional economists who focused attention on the single tax proposal and condemned Henry George's teaching, root and branch, were hardly just to him. The proposal itself...though vitiated by association with the untenable theory that the phenomenon of poverty is entirely due to the absorption of surpluses by the rent of land, is not economically unsound, except in that it involves an unwarranted optimism concerning the yield of such a tax. In any case it should not be put down as nonsense. If Ricardo's vision of economic evolution had been correct, it would even have been

obvious wisdom. And obvious wisdom is in fact what George said in Progress and Poverty (ch. 1, Book IX) about the economic effects to be expected from a removal of fiscal burdens--if such a removal were feasible.⁶

Schumpeter, like Bladen, gives us some reasons for studying the history of economics, even though he was more concerned with the development of methodology than was Bladen. He cited "pedagogical advantages, new ideas, and insights into the ways of the human mind" and some He added that there are reasons for believing that in economics the case for a study of the history of analytic work is stronger than it is for other fields.⁷

He felt the study of only current economics would lack "direction and meaning" since, "the state of a science at any given time implies its past history and cannot be satisfactorily conveyed without making this implicit history explicit."⁸

He felt such study might give us new inspiration, and expressed this graphically thus;

A man's mind must be indeed sluggish if, standing back from the work of his time and beholding the wide mountain ranges of past thought, he does not experience a widening of his own horizon.

And furthermore, such study "teaches us much about the ways of the human mind...It displays logic in the concrete, logic in action, logic wedded to vision and to purpose. Any field of human action displays the human mind at work but in no other field do people take so much trouble to report on their mental processes."⁹

The development of economics is itself a unique historical process, since the economists dealt with the problems of their times from the perspective of their time and under the pressures of their times. Schumpeter notes that, "the filtration of ideas has met with more inhibitions in our field than it has in almost all others."¹⁰ And, while in subjects such as physics where study of the history of the subject is less necessary

"...much more than in physics have results been lost on the way or remained in abeyance for centuries.... Stimulating suggestions and useful if disconcerting lessons are much more likely to come to the economist who studies the history of his science than to the physicist who can, in general, rely on the fact that almost nothing worth while has been lost of the work of his predecessors."¹¹

In short, we might say we study the mountains of past economic thought "because thar's gold in them thar hills."

Now that I have convinced you that there is value in studying the history of economic thought, may I direct your attention to a particularly rewarding book which represents one of the peaks in the mountain ranges that Schumpeter described. There is a wonderful view from the top, and reading this will make your study of many dull tomes on the subject worthwhile. This is a piece of inspirational literature, and a well-reasoned one. Its vision, its purpose and its lessons are still alive. It is a call to humanity for thought and action. It is, unlike any economics book you have ever read. It will enliven your study of economics and give it purpose. A brief passage will illustrate the quality of the prose and the heady, enthusiastic tone of the book:

Give labor free field and its full earnings; take for the benefit of the whole community that fund which the growth of the community creates, and want and fear of want are gone. The springs of production would be set free, and the enormous increase of wealth would give the poorest ample comfort. Men would no more worry about finding employment than they worry about finding air to breathe; they need have no more care about physical necessities than do the lilies of the field. The progress of science, the march of invention, the diffusion of knowledge, would bring their benefit to all.

With this abolition of want and the fear of want, the admiration of riches would decay, and men would seek the respect and approbation of their fellows in other modes than by the acquisition of wealth. In this way there would be brought to the management of public affairs, and the administration of common funds, the skill, the attention, the fidelity, and integrity that can now be secured only for private interest, and a railroad or gas works might be operated on public account, not only more economically and efficiently than as at present, under joint stock management, but as economically and efficiently as would be possible under single ownership. The prize of the Olympian games, that called forth the most strenuous exertions of all Greece, was but a wreath of wild olive; for a bit of ribbon men have over and over again performed services no money could have bought.¹²

You can see George was a man with a vision of a better life. And he felt he had the key to this better life if he could unlock the mind of man and displace false ideas selfishly implanted by

others with sound ideas presented by economics. He deplored economic inequality and its impact on every phase of life. And he deplored the loss to themselves and to society of the undeveloped talents of the great majority of the people, the poor.

He wanted a basically competitive order driven more by love or sympathy than by self interest.¹³ This would include private ownership of houses, capital, and other equipment and private possession of most land and natural resources. But he wanted to tax away monopoly returns to land and resource owners, to have public ownership of utilities, since they were monopolies, and to abolish other monopolies, such as patents.

He defined land to include "all natural materials, forces and opportunities."¹⁴ By this definition, oil reserves under the sea would have enriched the whole population, not just the lucky and undeserving land owners. Perhaps more important to the purity, or lack of it, of the political process, radio and television station licenses would be rented to the operators by the government rather than being awarded to them. On this broader interpretation of "land" we have at least a partial answer to the criticism of many economists (remarkably, including even Schumpeter) that the single tax would not bring in enough revenue.¹⁵

With this ordering of society, he felt poverty would no longer exist side by side with great wealth and unused productive power.

I would second Professor Harriss' opinion that there is an enormous amount left of great value in the teachings of Henry George. While there are many exceptions, it is apparent that the chief factor affecting the living standards and levels of attainment of most members of one generation is the level of income of their parents. This is even apparent in S.A.T. test scores, which were recently published in the New York Times.

Perhaps I should become more technical and stress George's achievements as an economic theorist.

He spread the seeds that blossomed into marginal productivity theory.

He shattered the easy, facile, and spurious mathematics of Malthus on population and production increases and the wages fund doctrine, both of which had impeded attempts to improve the conditions of the multitudinous poor.

And he strongly influenced many economists to seek ways to improve the economic order, and the public to clamor for beneficial change, and the politicians and government leaders to heed the clamor.^{16, 17}

FOOTNOTES

1. Vincent W. Bladen, From Adam Smith to Maynard Keynes, (Toronto: University of Toronto Press, 1974), p. xi.
2. Joseph A. Schumpeter, "The Crisis in Economics--Fifty Years Ago", The Journal of Economic Literature, Vol. XX, No. 3 (September 1982), p. 1053.
3. Lionel Robbins, Essay on the Nature and Significance of Economic Science, Second Ed., revised and extended, (London: Macmillan and Company, 1935).
4. Arthur Burns, The Frontiers of Economic Knowledge, (Princeton: Princeton University Press, 1954), pp. 229-30.
5. The title of an article by the Duke of Argyll in the Nineteenth Century, April, 1884, reprinted with George's reply in Complete Works, III, "Property in Land, A Passage at Arms between the Duke of Argyll and Henry George," at pp. 7-40, and 41-74, Fels Fund Library Ed., (Garden City, N.Y.: Doubleday, Page and Co., 1906-1911).
6. Joseph A. Schumpeter, History of Economic Analysis, (New York: Oxford University Press, 1954), pp. 864-65.
7. Ibid., p. 4.
8. Ibid.
9. Ibid., p. 5.
10. Ibid., p. 6.
11. Ibid.
12. Henry George, Progress and Poverty, (New York: Garden City Publishing Company, Inc., 1926), pp. 459-60.

13. Ibid., pp. 460-61.
14. Ibid.
15. Ibid., p. 37.
16. Steven B. Cord, Henry George: Dreamer or Realist, (Philadelphia: University of Pennsylvania Press, 1965);
17. If you wish to follow through on the Ricardian rent theory on which he relied, read pp. 1055-56 of Joseph A. Schumpeter, "The Crisis in Economics", Journal of Economic Literature, Vol. XX, No. 3, (September 1982); History of Economic Analysis, (New York: Oxford University Press, 1954), pp. 458-59; and Vincent W. Bladen, From Adam Smith to Maynard Keynes, (Toronto: University of Toronto Press, 1974), pp. 195-96.

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LESSONS OF ENDURING VALUE: HENRY GEORGE, A CENTURY LATER

C. Lowell Harriss

I ask no one who may read this book to accept my views. I ask him to think for himself. (SP, p. 242).¹

Mental power is, therefore, the motor of progress. . . the mental power which is devoted to the extension of knowledge, the improvement of methods, and the betterment of social conditions. (PP, p. 507)

A century ago, Henry George was much the most widely read writer on economics. He wrote about matters of deep and broad concern. He wrote with conviction and style, passion and vigor. The selections here will, I hope, stimulate readers to seek out more of the writings of a master of brilliant style, dealing with topics of enduring importance.

Much of what George says has relevance, both direct and indirect, to present conditions. Some of it retains its original validity. Our critical faculties must not be dulled by admiration for what stands as valid. Today's world differs from that which George knew. Yet his insights and conclusions, resting in part on observations about human nature, are often valid and even more often serve his stated objective of stimulating us to think.²

¹Sources of quotations and page numbers refer to Schalkenbach Foundation issues:

PFT = Protection or Free Trade
PP = Progress and Poverty
SP = Social Problems
SPE = Science of Political Economics

²I must acknowledge two recent scholarly sources: Leland Yeager's address at St. Johns University, March 1982, "Henry George and Austrian Economics"; and Terence M. Dwyer, "Henry George's Thoughts in Relation to Modern Economics," The American Journal of Economics and Sociology, October 1982, pp. 363-73; also Kenneth E. Boulding, "A Second Look at Progress and Poverty in Richard W. Lindholm and Arthur D. Lynn, Jr., Land Value Taxation: The Progress and Poverty Centenary (Madison: University of Wisconsin Press, 1980), pp. 5-17.

Free Trade, Not Obstruction

"Trade is not invasion. It does not involve aggression on one side and resistance on the other, but mutual consent and gratification." (PFT, p. 46). This quotation from Protection or Free Trade is only one of hundreds that tell us something of enduring value. This one is not controversial. Some are.

In the latter part of the nineteenth century, one of the major issues of public debate was the question of protectionism--using governmental power to restrict imports. George fought against this.

Three quotations will illustrate:

Who would think of recommending a site for a proposed city or a new colony because it was very difficult to get at? Yet if the protective theory be true, this would really be an advantage. Who would regard piracy as promotive of civilization? Yet a discriminating pirate, who would confine his seizures to goods which might be produced in the country to which they were being carried, would be as beneficial to that country as a tariff. (PFT, p. 35).

What protection teaches us, is to do to ourselves in time of peace what enemies seek to do to us in time of war. (PFT, p. 47).

If to prevent trade were to stimulate industry and promote prosperity, then the localities where he was most isolated would show the first advances of man. The natural protection to home industry afforded by rugged mountain-chains, by burning deserts, or by seas too wide and tempestuous for the frail bark of the early mariner, would have given us the first glimmerings of civilization and shown it its most rapid growth. But, in fact, it is where trade could best be carried on that we find wealth first accumulating and civilization beginning. It is on accessible harbors, by navigable rivers and much traveled highways that we find cities arising and the arts and sciences developing. And as trade becomes more free and extensive . . . so does wealth augment and civilization grow. (PFT, pp. 51-2).

The struggle for human freedom against restriction of trade in America brought more defeats than victories for much of the half century after George began his efforts. Under the leadership of Secretary of State Cordell Hull, the United States took the initiative in reducing barriers, first on a bilateral

basis, then on a broad scale.

The multilateral lowering of tariffs aided expansion of international trade after World War II. Such trade across political boundaries was part of the process that raised levels of living for hundreds of millions of human beings in countries rich and poor. Few Americans have any conception how much the tariffs obstructing our imports have come down. Nor do we appreciate how greatly our well-being depends upon exporting, and how it has profited from the reduction of barriers of other countries.

Today, however, forces for restriction here and abroad are discouragingly powerful--discouraging for human welfare. Non-tariff barriers--both observable and almost invisible but still powerful--now take many forms. Human ingenuity devises many methods of working harm. The supporters, of course, can give justifications that seem plausible--for small groups and special interests in the short run. Nevertheless, the fundamental principles of freedom that George enunciated remain valid.

Today, however, the discussion will involve relatively new aspects--floating exchange rates, new complexities in adjustment processes, governmental subsidies for exports and "unfair" competition, a several-fold increase in the number of sovereign countries, and wider, almost uncritical acceptance of the notion that politics and bureaucracy should exert a considerable influence on markets and economic life. Some governments, notably Communist governments, exercise full control. Others, in both developing and developed countries, intervene in economic affairs at many points in various ways.

What are the prospects that such intervention will help rather than hurt mankind? George's view of human nature and governmental processes enabled him to draw conclusions about the realities of intervention as actually implemented. For example:

The result is, and always must be, the enactment of a tariff which resembles the theoretical protectionist's ideas of what a protective tariff should be about as closely as a bucketful of paint thrown against a wall resembles the frescos of a Raphael. (PFT, p. 92).

Today, some of the most difficult problems of international trade, here and abroad, involve agricultural products. Some farmers face difficulties, partly because land prices have risen to levels that almost assure financial strain. A frequent response is the advocacy of restrictions on imports and on marketing that make food more costly. Britain had such restrictions--the Corn Laws--a century and a half ago. Eventually, the British consumer was freed of such burdens. What

brought the change? Determined leadership was crucial. George cites a moving incident with words that suggest his recognition of the role of leadership and concerned, devoted effort to build a better world:

"Come with me," said Richard Cobden, as John Bright turned heart-stricken from a new-made grave. "There are in England women and children dying with hunger--with hunger made by the laws. Come with me, and we will not rest until we repeal those laws."

In this spirit the free-trade movement waxed and and grew. (PFT, p.277).

Governments, our own and many others, impose food policies--including restrictions on imports--that raise the cost of eating. Sensible? Humane?

Henry George as an Economist

The great British economist, Alfred Marshall, who had more than a little disagreement with George about land taxation, called him a "poet." Professor Boulding writes that Progress and Poverty is "the one book in economics which could be set to music." (p. 5).

Was George really an economist? Some of his contemporaries teaching in colleges were critical. One quotation will help us see why George was not well received in the academic world:

And while colleges and universities and similar institutions, though ostensibly organized for careful investigation and honest promulgation of truth, are not and cannot be exempt from the influences that disturb the study of political economy; they are especially precluded under present conditions from the faithful and adequate treatment of that science. For in the present social conditions of the civilized world nothing is clearer than that there is some deep and wide-spread wrong in the distribution. . . of wealth. This it is the office of political economy to disclose, and a really faithful and honest explication of the science must disclose it.

. . . colleges and universities, as at present constituted, are by the very law of their being precluded from discovering or revealing. . . [the injustice]. For no matter what be the nature . . . the wealthy class must, relatively at least, profit by it, and this is the class whose views and wishes dominate in colleges and universities. As, while slavery was yet strong, we might have looked in vain to the colleges and

universities . . . in our Southern States . . . for any admission of its injustice, so under present conditions we look in vain to such sources for any faithful treatment of political economy. Whoever accepts from them a chair of political economy must do so under the implied stipulation that he shall not really find what it is his professional burden to look for.

. . . he who would really know what political economy teaches . . . can turn to the colleges and universities only with the certainty that, wherever else he may find the truth, he cannot find it there. (SPE, pp. xi-xii).

Impugning the integrity of professors would scarcely improve the prospects of getting one's writings accepted. The great Austrian-American economist, Joseph Schumpeter, tells us: "Henry George . . . was a self-taught economist, but he was an economist. In the course of his life, he acquired most of the knowledge and ability to handle an economic argument that he could have acquired by academic training as it then was."³

George failed to incorporate marginal analysis, which was published several years before his death, whose significance he failed to understand. Yet to me it seems that his major policy conclusions would hardly have been any different.

In contrast with so much of modern economics, George's work makes almost no systematic use of quantitative evidence. A century ago, data were scarce by modern standards. George observed and drew conclusions. He read widely. He utilizes illustrations from a variety of sources. Vividly expressive figures of speech abound. They do not necessarily substantiate the points he makes, but I find them more convincing than suspect.

Society is an organism, not a machine. It can live only by the individual life of its parts. And in the free and natural development of all the parts will be secured the harmony of the whole. (PP, p. 321).

³Joseph A. Schumpeter, History of Economic Analysis, (New York: Oxford University Press, 1954), p. 865.

George was a social philosopher. He ranged beyond supply and demand and the confines of narrow economics. Some of his value for us moderns lies in his observations about society. One quotation combines insights on two points--the concern for public affairs and the potential from enlarging the role of women:

. . .the progress of civilization necessitates the giving of greater and greater attention and intelligence to public affairs. And for this reason I am convinced that we make a great mistake in depriving one sex of voice in public matters, and that we could in no way so increase the attention, the intelligence and the devotion which may be brought to the solution of social problems as by enfranchising women.
(SP, p.243).

Two paragraphs reveal, among other things, George's awareness of what we may call "externalities" and views on rewards:

For there is to the community also a natural reward. The law of society is each for all, as well as all for each. No one can keep to himself the good he may do, any more than he can keep the bad. Every productive enterprise, besides its return to those who undertake it, yields collateral advantages to others. If a man plant a fruit tree, his gain is that he gathers the fruit in its time and season. But in addition to his gain, there is a gain to the whole community. Others than the owner are benefited by the increased supply of fruit; the birds which it shelters fly far and wide; the rain which it helps attract falls not alone on his field; and, even to the eye which rests upon it from a distance, it brings a sense of beauty. And so with everything else. The building of a house, a factory, a ship, or a railroad, benefits others besides those who get the direct profits. Nature laughs at a miser. He is like the squirrel who burries his nuts and refrains from digging them up again. Lo! they sprout and grow into trees . . . The bee fills the hollow tree with honey, and along comes the bear or the man.

Well may the community leave to the individual producer all that prompts him to exertion; well may it let the laborer have the full reward of his labor, and the capitalist the full return of his capital. For the more that labor and capital produce, the greater grows the common wealth in which all may share. And in the value or rent of land is this general gain expressed in a definite and concrete form. Here is a fund which the state may take while leaving to labor and capital their full reward. With increased activity of production this would commensurately increase. (PP, p. 436).

Note that land values rise as the economy benefits from adequately rewarded human effort. Government can take the "positive externalities" that become land rent.

A Conservative Economist and Opponent of Socialism

George articulated the concept of "spontaneous coordination." This understanding plays a vital role in any effort to appraise the potential of centralization of economic life. He condemned centralized governmental management of the means of production--socialism. It would destroy spontaneous coordination. Two generations later this point became central to a major theme of the criticism of socialism. Today, another generation later, experience provides evidence to substantiate the point that George saw theoretically a century ago. Three quotations will illustrate:

[Attempting conscious direction of work that requires spontaneous coordination] is like asking the carpenter who can build a chickenhouse to build a chicken also.

This is the fatal defect of all forms of socialism--the reason of the fact, which all observation shows, that any attempt to carry conscious regulation and direction beyond the narrow sphere of social life in which it is necessary, inevitably works injury, hindering even what it is intended to help.

And the rationale of this great fact may . . . be perceived when we consider that the originating element in all production is thought or intelligence, the spiritual not the material. This spiritual element, this intelligence or thought power as it appears in man, cannot be combined or fused as can material force. (SPE, pp. 391-92).

The last sentence contains truth too often overlooked. A second quotation reinforces the point and adds to its force:

In other words it is only in independent action that the full powers of the man may be utilized. The subordination of one human will to another human will, while it may in certain ways secure unity of action, must always, where intelligence is needed, involve the loss of productive power. (SPE, pp. 392-93).

The proposal which socialism makes is that the

collectivity or state shall assume the management of all means of production, including land, capital and man himself; do away with all competition, and convert mankind into two classes, the directors, taking their orders from government and acting by governmental authority, and the workers, for whom everything shall be provided, including the directors themselves. . . . It is more destitute of any central and guiding principle than any philosophy I know of . . . 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. (SPE, pp. 198)

Poverty

Time and again George reminds the reader of poverty, so often desperate and degrading. But not, he believed, inevitable!

Monopoly and private ownership of the rent from land seem to be the chief causes of continuing poverty:

That amid our highest civilization men faint and die with want is not due to the niggardliness of nature, but to the injustice of man. Vice and misery, poverty and pauperism, are not the legitimate results of increase of population and industrial development; they only follow . . . because land is treated as private property--they are the direct and necessary results of the violation of the supreme law of justice, involved in giving to some men the exclusive possession of that which nature provides for all men. (PP, pp. 341).

At times he shows awareness of the progress that was being made for many. Yet the impression of persisting, unremitting poverty stands out. His diagnosis must have been incomplete.

The enormous improvement in living standards in the century since George wrote occurred without at least the land tax reform he thought so essential. There were elements in the operation of the economy that have brought economic benefits for the vast majority beyond anything he predicted. Why?

Monopoly has been weaker and competition stronger than he probably expected. Certainly his belief that land ownership represented powerful monopoly differs from reality. Land is owned in plots, most of which are small in relation to the total supply. An owner of a plot of land finds his power to command extortionate rents limited by competing landowners. Each individual owner does have a monopoly, but rarely on much of a community's land.

Industrial monopoly has also been less extensive than he probably believed. As employer? The picture of a single mill as the dominant employer in a community applies to only limited portions of the economy. The ability to depress wages below marginal productivity encounters the worker's desire for income and, in this country, significant ability to seek out better jobs. Population moves. Wages plus fringes have risen with productivity from decade to decade.

Poverty has declined but by no means disappeared. The record of the "War on Poverty," associated with President Johnson, and the vision he articulated in 1964, offers insights into complexities that George oversimplified. Large sums have been provided. Many approaches have been tried. Site value taxation was not among them. The position of the lowest fifth has improved. Much has been accomplished by many forces--those of markets and governmental programs. No miracles. Problems persist. Conditions differ from those of George's time. One cannot reasonably expect him to have foreseen the complexities we face today. One can be reminded of the challenges remaining.

Redistribution? Not by Compulsion

Bitterly as George hated poverty, he did not propose compulsory redistribution as a remedy. His attitude was far removed from that widely held today, which puts heavy reliance on government redistribution using coercion of taxation. He believed in incentives. He believed in rewards, in the justice, under natural law, of private ownership of property:

It would not merely be gross injustice to refuse a Raphael or a Rubens more than a house-painter, but it would prevent the development of great painters. To destroy inequalities in condition would be to destroy the incentive to progress. To quarrel with them is to quarrel with the laws of nature. We might as well rail against the length of the days or the phases of the moon; complain that there there are valleys and mountains; zones of tropical heat and regions of eternal ice. And were we by violent measures to divide wealth equally, we should accomplish nothing but harm; in a little while there would be inequalities as great as before.

This, in substance, is the teaching which we constantly hear. It is accepted by some because it is flattering to their vanity in accordance with their interests or pleasing to their hope; by others, because it is dinned into their ears. Like all false theories that obtain wide acceptance, it contains much truth. But it is truth isolated from other truth or alloyed

with falsehood. (SP, p. 50).

Another expression of George's conviction that the producer deserves his rewards would probably strike the Western world today as so conservative, even reactionary, so out-of-step with modernity as to strike at our concepts of progressive taxation and "welfare-state spending":

This and this alone, I contend for--that he who makes should have; that he who saves should enjoy. I ask in behalf of the poor nothing whatever that properly belongs to the rich. Instead of weakening and confusing the idea of property, I would surround it with stronger sanctions. Instead of lessening the incentives to the production of wealth, I would make it more powerful by making the reward more certain. Whatever any man has added to the general stock of wealth, or has received of the free will of him who did produce it, let that be his as against all the world--his to use or to give, to do with it whatever he may please, so long as such use does not interfere with the equal freedom of others. For my part, I would put no limit on acquisition. No matter how many millions any man can get by methods which do not involve the robbery of others--they are his; let him have them. I would not even ask him for charity, or have it dinned into his ears that it is his duty to help the poor. That is his own affair. Let him do as he pleases with his own, without restriction and without suggestion. If he gets without taking from others, what he does with his wealth is his own business and his own responsibility. (SP, p. 87).

Two elements of this quotation are striking: One is the emphasis on strengthening the protection of property. As we today see so many intrusions on the owner's ability to use property (or the preservation of value in times of inflation), do we stop to think of the effects on human willingness to make the sacrifices required to add to real wealth? A second point involves what seems to me one of the more perplexing aspects of life--unlimited power to transmit property to heirs. Land value would be an exception for George. Yet is not land acquired with the fruits of energy and thrift more like than different from other property? He faced the issue and came out in a quite different position. For example:

Though the sovereign people of the state of New York consent to the landed possessions of the Astors, the puniest infant that comes wailing into the world, in the squalidest room of the most miserable tenement house, becomes of that moment seized of an equal right with the millionaires. And it is robbed if the right is denied. (PP, p. 340).

One wonders what George's pen would write today about the fortunes accumulating from the ownership of land under which oil and natural gas are found. Consumers pay prices which bring vast fortunes to persons who did nothing to put the oil under the surface of the earth. Beyond the costs of exploration, development, and marketing there are huge payments to passive--and lucky--owners of land.

Untaxing Structures, Taxing Land

This heading shifts the typical emphasis--in a way that seems to me useful for presenting policy choices. First, however, an opening quotation with a point of growing relevance--a potential source of revenue largely beyond threat from the underground economy:

As land cannot be hidden or carried off, a tax on land values can be assessed with more certainty and can be collected with greater ease and less expense than any other tax, while it does not in the slightest degree check production or lessen its incentive. It is, in fact, a tax only in form, being in nature a rent--a taking for the use of the community of a value that arises not from individual exertion but from the growth of the community. (PFT, p. 288).

The unreported economy, we hear, grows; it provides an increasing total of untaxed income and consumption. Land, however, cannot be hidden. Does it not offer a base of taxation which defies attempted evasion?

The second sentence of the quotation introduces George's conviction of the moral principle: land rent should be appropriated for the use of society as a whole. George's passion for human betterment shines out in this discussion. The narrowly economic aspects are not alone in making the case for taxing land rent. The moral justification in George's view was not limited to future increments. On this point my personal conclusion differs.

Nevertheless, George's message on the taxation of land has much merit today. There are persuasive reasons of justice and equity without pretending to reverse the past. There are persuasive reasons to expect better allocation and use of land. Here, however, I emphasize the possibility that it offers for helping to reduce the taxes on man-made capital. Not a single

tax!⁴ Government spending has grown beyond any feasible possibility of finance by tax on land alone. For his own time, I believe, he overstated the case. He oversimplified the ethical-equity issue. But can one reasonably deny the justice of taxing "unearned increments" that profit landowners "as they sleep"? one can speculate--dream--about the differences today if communities had been able to finance local services from land rents--or the growth of land rents through a century, half a century (e.g., since the Great Depression), or the last three or two decades of land price increases (above inflation). If man-made capital had been subject to little or no property taxation, would not we have more such capital and the benefits it brings? Yes. Moreover, that capital would probably have been allocated more productively.

Many opportunities have been irretrievably lost. Yet the country will be here for a long time. We and our children can have a better future, it seems to me, if local governments move in the directions George indicated a century ago. Not every state need act, nor every locality in a state which permits the change.

The logic of reducing tax rates on structures and getting rent is the ideal land (location) value, the logic of such a change has been stated many times by many economists in many places.

George was certainly right in perceiving that economic rent is the ideal subject of taxation. (Boulding, p. 8)

Land is one productive resource whose supply will not be reduced by a (high) tax. It does not move. Much of its value results from the actions of persons other than the owner, especially governmental spending on streets, sewers, schools, and other such facilities.

One change would be increased influence on owners of land to

⁴When George wrote, government in this country was predominantly local government. The national government had some veteran's/military expenditure, carried the mails, operated some courts and a diplomatic service, and had a few other functions. Costs were low. States did very little in the days before spending on highways, aid to localities for schools, and other functions.

put it to its best use. Holding land in a use far below its potential would involve higher costs. The character of use of each plot affects those around. Market forces reflecting the total of considerations, of opportunities, would be reinforced by tax forces. Progress toward better use would be greater as owners had to pay larger amounts of tax on land. The need to pay more dollars each year would add to the incentive to get income at once, as speculative withholding from "the highest and best use" would be less attractive.⁵

The lower tax on man-made capital, however, would increase the ability to build and to improve land. A cut in the tax on new construction would tend to enlarge the demand for land. Such forces would raise land values and benefit owners. Landowners would find the development of their property easier to the extent that cost of capital would be reduced.

The present form of property tax on man-made capital has serious disadvantages--disadvantages beyond the effects which inevitably result from getting funds to pay for government. More space than is available here would be needed for a full discussion of the adverse effects of high taxes on new and better buildings, on the improvement and upgrading of older buildings. The unfortunate results may be slight where the effective tax rate is 1 percent or so a year. But where the tax rate is 3 or 4 percent on full market value each year the burden is high in relation to the annual net real product of the capital. Thinking of the tax as compared with the flow of annual income, one sees it large enough to influence decisions--to discourage the flow of new capital.

Localities with high tax rates impose burdens and obstacles which cannot help--and must certainly hinder--the building of new structures and the improvement of old. Taxes are needed to finance local government. All taxes have nonrevenue effects. The tax on man-made capital has far more adverse nonrevenue effects than would an equal-yield tax on land. The tax on man-made capital, for example, operates to discourage the construction of larger and better rooms and thus to take advantage of the potential of the "law of the cube"--expense of construction per cubic foot declines with size, through some meaningful range. Excess burden results; i.e., there are losses of real benefit to human beings that do not result in revenues for the government.

⁵The power of such taxation would, of course, depend upon the tax rate and the quality of assessment. Would there not be danger of premature development? Perhaps. Careful planning and design are in order. They are possible.

Taxing land values--absorbing much, most, or all of the annual rent--aroused fear in George's time and will today. Opposition must be expected when talk centers on higher tax on anything. Yet the Georgist program for taxing land more heavily also involves the abolition or reduction of other taxes. Man-made capital would have been freed from property tax. Under modern American conditions, at least in most areas, full untaxing of structures seems out of the question; but substantial rate reduction can be achieved. For the community as a whole, tax bills should not change.

Nothing in the proposal would lead to higher governmental spending. Total taxes, therefore, would neither rise nor fall. What taxpayers would lose on one score (land), they would gain on another (man-made capital). For particular properties the net result would depend upon the relation of land value to building value compared with the relation throughout the taxing jurisdiction.

What about homeowners--the bulk of voters? Conditions differ from one locality to another. Generally, however, would not most homeowners be rather near the average as regards the relation of land values to man-made capital? I should think so. There would be some large losers, and they would complain. Some large winners would reap windfalls. But the great majority, I think, would experience no great loss or gain. And gradual implementation spread over, say, five years would keep changes individually modest yet eventually significant.

A quotation with which I close conveys economic wisdom of a high order, on property taxation and taxation in general:

To abolish the taxation which, acting and reacting, now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring. Imbued with fresh energy, production would start into new life, and trade would receive a stimulus which would be felt to the remotest arteries. The present method of taxation operates upon exchange like artificial deserts and mountains; it costs more to get goods through a custom house than it does to carry them around the world. It operates upon energy, and industry, and skill, and thrift, like a fine upon those qualities. If I have worked harder and built myself a good house while you have been contented to live in a hovel, the tax gatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man build a ship we make him pay for his temerity, as though he had done

injury to the state; if a railroad be opened, down comes the tax collector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if any one accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain, we fine him who puts up machinery, and him who drains a swamp. . . .

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. The needle of the seamstress and the great manufactory; the cart horse and the locomotive; the fishing boat and the steamship; the farmer's plow and the merchant's stock would be alike untaxed. All would be free to make or to save, to buy or to sell, unfined by taxes, unannoyed by the tax gatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."

And will not the community gain by thus refusing to kill the goose that lays the golden eggs; by thus refraining from muzzling the ox that treadeth out the corn; by thus leaving to industry, and thrift, and skill, their natural reward, full and unimpaired? (PP, pp. 434-35).

WHAT'S WRONG WITH LAND VALUE TAXATION?

Dick Netzer

I think my topic was meant to be provocative, and I hope it will be. I will not deliver a learned address, nor go back to the writings of Henry George to discuss the topic of land value taxation. Instead I start with the premise that in fact there really isn't very much wrong with land value taxation in concept. I want to talk about the issues in current context; the context, that is, of the United States, in the 1980's -- a basically urban society.

Now urban economists, more than mainstream economists, tend to agree with the proposition that land value taxation is both equitable and efficient. In fact, a fair number of urban economists now subscribe to the proposition that the only appropriate way to efficiently finance local governments in a society such as ours is by a combination of land value taxation and user charges for services that have identifiable beneficiaries and therefore can be appropriately financed through some kind of public pricing. The question then is, if the land value tax is ideal, and if it has been persuasively advocated, with the kind of eloquence you find in the works of Henry George, why is land value taxation for all practical purposes absent from the United States?

I know that there are a few isolated cases in this country where there is some form of land value taxation. But, by and large we live in a country which has decisively and repeatedly over the years rejected land value taxation as the mode of finance of any level of government, including local governments. In fact, the country has decisively rejected even the idea of taxing land values equally with buildings. We have differentially heavy taxation of improvements in almost every jurisdiction in the United States, the opposite of what I think most people here would prescribe. There has to be something wrong with land value taxation in some way, conceptually or practically, otherwise it surely would have been more widely adopted by now.

After some searching for the answer to this paradox, I think I have finally found it. The answer starts with a rather fundamental change in the perception of what is appropriate, what is fair, what is moral in taxation between the nineteenth century and today. We live now in a climate of opinion where the taxation of wealth as such, rather than income or expenditure, is basically considered wrong by most people. That was not true in the nineteenth century when Henry George wrote. The issue that he was addressing is--shall we tax wealth that is created by man

or shall we tax personal wealth that is generated by land rents? But, the problem we are dealing with now is the perception that the taxation of wealth is wrong, no matter how that wealth is generated.

But, in the nineteenth century taxation of wealth was considered a pretty good idea -- the only taxation that existed in the United States at the time was state and local property taxes, (aside from import duties and taxes on alcoholic beverages) and these were justified as taxes on all forms of wealth. If my analysis is right, then there was some point at which the change in perception occurred.

How did this come about? In large part the change, like so many other things that we see in this country in the 1980's, is yet another one of the legacies of the Great Depression. The Great Depression was preceded by a twenty-odd year period in which there was a very substantial increase in levels of property taxation in the United States associated with rapid urbanization and big increases in public expenditures.

In the thirties, as we know, there was a collapse in property values, as well as in income. And, in the early thirties, of course, the local governments did not conclude that there was no wealth left to tax. Instead, they observed the ostensible taxable wealth on the assessment rolls and extended taxes against that ostensible wealth. Of course, there were huge delinquencies, among farmers and among the large numbers of people with modest income who in the 1920's had become home owners. The results were aggressive movements in a number of states during that period to limit property taxes. In Florida there was a state referendum, which was defeated by a whisker, which would have abolished the property tax totally in that state.

The property tax subsequently was reprieved by rising real incomes. But in prosperity these were the seeds of serious political problems. During the fifteen years ending in 1981, there was an especially rapid rise in housing values, in a country now overwhelmingly dominated by owner-occupants of housing. This rapid run up in property values was far in excess of the increase in incomes. It produced vast unrealized capital gains, that is gains on the value of the houses owned by people who had not sold them or had no intention of selling them, but who had huge gains on paper.

I believe that a considerable factor in the whole so-called revolt against property taxes in the United States in the 1970's came from the taxation of unrealized capital gains, particularly homeowners' unrealized capital gains. I think that Americans consider such taxation inequitable, harsh and entirely

illegitimate with respect to owner-occupied housing. The size of the unrealized capital gains in the 1970's was really vast. I have made some estimates of the size of the increase in the value of existing unsold, unchanged, unaltered owner-occupied non-farm houses between 1969 and 1979. The total estimated increase in market value of owner-occupied housing (including land) between 1969 and 1979 was about \$1,500 billion from roughly \$650 billion to \$2.2 trillion. Of that \$1,500 billion increase, about \$600 billion, about forty percent of the increase, was in the form of unrealized capital gains. More than 25 percent of the market value of owner-occupied housing, as of 1979, consisted of unrealized capital gains, of houses many of which people had lived in for many years and had no intention of ever selling. The very rapid run up in property values is fairly obviously associated with inflation, with the income tax preferences attached to owner occupied housing, and with the fact that, until 1979, there were negative real rates of interest on home mortgages.

But this by itself should not have caused negative reactions by taxpayers: taxpayers are concerned with actual tax bills, not the way in which they are calculated. Why should there have been large increases in tax bills? If property values were increasing very rapidly, much more rapidly than income, even more rapidly than rate of inflation in general, effective tax should have declined and actual tax liabilities for many property owners might not have increased very much at all. Tax liabilities might in some cases have actually increased by less than earned income.

In reality what happened was that many local governments were cheating. They used the increase in market values during this period, in many cases, to expand local government expenditure at rapid rates. Moreover, the situation was aggravated in those states where the property tax assessment system was reformed, with revaluations because of changes in state law and court decisions. This happened in the state of Massachusetts, where there were numerous increases in assessed values in many parts of the state during the 60's and 70's because there were revaluations going on even as market values rose rapidly. Local governments took advantage of this. They cut their tax rates by substantially less than assessed property values rose and expanded local government expenditures.

This happened spectacularly in California, where house values are higher than anywhere else in the country. So property tax bills in dollar terms rose very rapidly for many owners of existing unchanged property. Voters considered this illegitimate. In close to half the states, during the years between 1970 and 1980, voters through referenda or through legislatures put effective property limits on tax levies as well as on tax rates. Legislatures also enacted a variety of other kinds of tax preference arrangements, for farm land, for the elderly and for

other purposes. I view much of this as a strong reaction against the notion that it is legitimate to tax wealth, if that wealth is in the form of unrealized capital gains.

Now the relevance of this to land value taxation is obvious. Land value, by definition, is taxation of a form of wealth, and it necessarily involves taxation of unrealized capital gains. Henry George told us, eloquently, of the appropriation of the increase in productivity of labor and capital by passive land owners, who sit put, hang on, and realize their capital gains many years later. It's an inherent characteristic of land value taxation to tax unrealized capital gains. It would defeat some of the very real advantages of land value taxation to substitute for annual taxation of capitalized land rents such alternatives as land value increment taxes on land that is sold, or other taxes triggered by transfers. That tends to discourage transfers, to reduce the fluidity of the market and rewards the land hoarder.

Those of you who are convinced Georgists have no problem with the concept of taxation of unrealized taxable gains in this form. Neither do most economists. Most economists think that wealth is wealth, and the fact that it hasn't been realized by sale doesn't mean anything at all. You can borrow against that wealth. You can consume on the basis of having that extra wealth. But I think we are peculiar. Our fellow Americans do have a problem with the concept of taxation and unrealized capital gains, and we have to worry how to overcome that problem.

Now it is possible that changes in the external circumstances will help. The decade of the 1970's was a freakish one, I believe. We are not likely to see the kind of capital gains in housing values that we had in the 70's again. It is almost impossible to imagine a scenario in which there are negative real rates of interest on home mortgages (except very temporarily) ever again in American society. So huge unrealized gains are implausible. That should reduce hostility to land value taxation. On the other hand, there are numerous American cities in economic difficulty; in real terms, the market value of taxable property in those places declines faster than real income declines. In such circumstances, stiff taxes based on the value of land are not likely to be acceptable, especially since some of the precipitously declining land values are those of the land underlying owner-occupied housing.

I do not think we can count on ready public acceptance of land value taxation even if the 1980's are unlike the 1970's. I don't have any real solutions to the problems I have posed. Most Americans think that land value taxation is in essence unjust, not because they see land value taxation itself as being unjust, but because it is a form of taxation of wealth in the form of

unrealized capital gains. I think it is proper to face this problem head on, which has not been done. Instead, advocates of land value taxation wax eloquent about the wondrous consequences for us collectively of switching to a tax that is in reality feared and loathed by most American voters as individuals.

What's wrong with land value taxation, in my view, is that the advocates have yet to find ways to persuade ordinary Americans that their conception of tax justice is just plain wrong. Economists have nothing to offer here. We need some exceedingly persuasive moral philosophers. Perhaps what we need is the Henry George who can address Americans as they are now, in the circumstances in which they find themselves, and with their beliefs as they are in the 1980's.