

HENRY GEORGE NEWS

VOL. 12—No. 3

JANUARY, 1949

10C A COPY—\$1.00 A YEAR

The Blind Leaders — By JOS. S. THOMPSON

IT IS PLAIN that we Americans are faced, throughout the world, with the responsibility of establishing a condition of general comfort and confidence, with a relaxation of the present sense of impending evil. We are deeply engaged in meeting this obligation with encouragement, goods and money; while the people of Europe, who can see now that work may bring results, are taking heart and beginning to climb back toward hoped-for economic health.

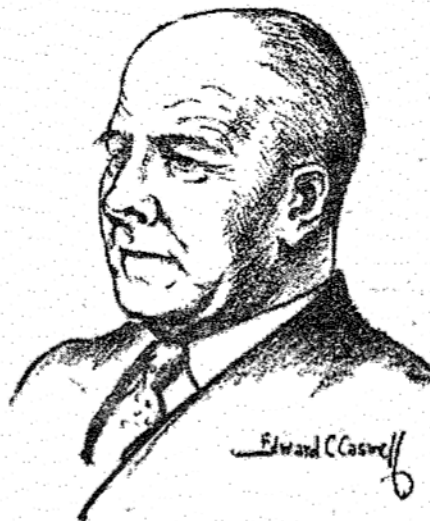
But for years to come, their condition will be sharply affected by ours, and with them, as with us, there exists a heavy dread. We are haunted with the possibility that America on whom so much depends, will have a recurrence of the fearful depression of the thirties, and we cringe at the thought of a repetition of it. Aside from a few palliative measures such as bank deposit insurance and restraint on margin gambling, we have done nothing to insure against it.

There must be some major distortion which, if understood, would seem to be the catch. Isn't it probable that this basic fault lies in the fact that we cannot (for we do not) yet distinguish between payment of tribute to privilege on the one hand, and recompense to service on the other? Manifestly this probability will bear study as to whether or not the creation of insurance against depression involves the seeking out of privilege and its separation from service.

The fault is not in our political system—nowhere are people freer to say what they please. The fault is not in our industrial system—which is built on service. But when we study our taxation system we find that a cancerous growth has developed in the last few years that throttles, bleeds, stunts and threatens all that makes America great. Could privilege be fostered there?

We have a noticeable weakness in this country; we take things too readily for granted. You've always taken taxes for granted, but *taxation should not exist*. Although it was a long time ago that Chief Justice Marshall said the power to tax was the power to destroy, the full breadth and importance of his statement seems never to have been wholly grasped or emphatically enough expressed. It is taxation that destroys both good things and bad things. As a powerful means of destroying evil things, taxation is frequently used; wherein it becomes equivalent to the imposition of a fine. When you recognize this you are better equipped to analyze the subject further—a tax is a fine. You are fined for doing business, or for building a home.

Admittedly, public expenses must be met for there are many things that can best be done by employees of the public as a whole. What is wrong with our approach? To begin with, we are all familiar with earned private income—earned through labor, service, or investment—but only a few of us have inquired as to whether



there might not be a true, just earned public income; publicly earned and publicly collected.

The answer for these few who have inquired has been amply supplied by the Physiocrats, by Thomas Carlyle, by Patrick Dove, by Herbert Spencer, by John Stuart Mill, Winston Churchill and, in full, complete analysis, by Henry George. This answer is held by many scholars to be essential to the preservation of our American structure. For the rental value of the land, when collected (or taxed if you prefer) by the public, would provide and define the rightful earned income to which the budget should conform. Arbitrary assessments might have to be resorted to in times of war or emergency, but as it is now understood and imposed, taxation should be reserved as a repressive measure to curb or obliterate acts counter to the public interest.

It does sound like quibbling to speak of abolishing taxation and then advocate the public collection of land rent, but here is the difference in the procedure. The rental value of the land is the amount individuals will pay for its exclusive use. It is easy to "capitalize" such an amount. Simply figure the amount of capital that, at current interest rates, would earn the same amount as the rent. The value of the land is thus set by the rent. Assess it at that value. Tax it at the same current interest rate, and the public is collecting the rent it creates. Now you will find that public needs are being met and all taxes that add to the cost of living or doing business have disappeared.

And here is the difference in the principle. Land costs nothing in human effort or creativeness. If land is all that a man wants, he can get square miles of it in some parts of the country for nothing. It must be more than land, and it is . . . land in desirable places, so the rental value of the land might better be called "location value." Here, through our failure to discern who creates it, is where the landlord comes in. Does the landlord furnish location? No,

location has value only when people are present and increases in value only when the number of people increases. So to go a little further, location value is really "people value" the value of being permitted to occupy an advantageous location that others also wish to occupy among people.

In short, our present land system permits and encourages the collection of tribute. Ability to collect tribute is a legally conferred privilege.

You will never get away from that deep-seated desire that everyone has to have his own piece of land . . . a place he can call his own. This is another sentiment we've been taking for granted. Nobody in this country owns his own piece of land. Just let him fail long enough to pay such tax as is levied against it and the house on it and the belongings in the house are "sold for taxes."

The simple mechanism outlined above would correct our medieval revenue system, utilize present methods, equipment and personnel, and arrive by the test of the market at the desirability of all parcels, periodically adjusting appraisal and taxation to absorb the rent paid by the occupants. It would be a straight business matter, few changes would be needed in our laws. Henry Buckle said, "Every great reform which has been effected has consisted, not in doing something new, but in undoing something old. The best laws which have been passed have been those by which some former laws have been repealed." Think of the laws that would slip down the drain if common sense prevailed!

Our failure to discern the difference between privilege and service is stupid enough in its direct impact on our revenue policy. But there is a worse product of this failure that powerfully stifles and distorts our efforts to press on to security—land speculation.

Here again we take things for granted. We think of the speculator as taking monstrous chances, of cornering markets, or living dangerously, reaping profit or crashing in defeat. There is nothing of that. Quietly and conservatively he "buys land," but he doesn't really buy land, he merely buys the privilege of a title deed to a location. He hopes it will increase in value! That more people will need it! When he buys to sell later at a higher price he becomes an obstructionist. He serves no purpose, does nothing useful but is merely a legalized holdup man.

Perhaps you are thinking, what about great corporations? What about owners of stocks and bonds, capital, fat profits, monopolies, cartels—millionaires? Corporations are formed to perform service or to exploit through privilege, or frequently, to combine the two. To the extent that they perform service, they should retain their earnings, however large. To the extent that they exploit through privilege, they should not be free to exist. We must distinguish between the thing itself and any evil misuse to which it may be put.

(Continued on Page Three)

Georgist Notes on Denmark

ADDRESSING the opening of the centenary session of the Danish Rigsdag (Parliament) Premier Hedtoft outlined the principal features of his party's program, as follows: trade restriction introduced during the war to be abolished, lower income brackets to get tax relief, a committee to be established to control monopolies and trusts, voting age to be reduced from 25 to 21 years of age, and legislation to be introduced to increase taxation on consumer's cooperatives and land values.

The Wholesale Merchants' Gazette a Danish trade newspaper, lambasts the Social Democrats (ruling majority) for the limited reform of trade restrictions. In the pre-election campaign it was assumed from speeches made by the majority party that all trade restrictions would be repealed, particularly the Foreign Exchange Center law of 1932. This law paved the way for protectionism, planned economy and industrial subsidies the attendant bureaucracy, actually decreased the workman's real wages by 12 per cent. In illustrating the absurdity of national planned economy Vejen Frem published this cartoon.

Der er kommet Porter



"Stout Has Arrived"

"Isn't it a splendid idea; the English can't afford drinking their own stout, and we Danes can't afford to have our own beer, and so we exchange it, each exporting to the other! Wonderful isn't it!"

Socialization Through the Back Door

The Social Democrat majority argues that socialized housing can rent apartments cheaper than private enterprise, but neglects to mention that the government corners the materials market, restricts private builders and subsidizes cooperative building with the taxpayers' money.

An extensive publicity campaign launched by the Justice Party, inviting the public to a series of taxation forums began in October of this year. Over 100,000 forum leaflets were distributed with ration cards in the public schools while platoons of demonstrators carrying huge placards paraded through the streets of Copenhagen. "How To Reduce Our Burdensome Taxation" is the theme of these meetings, which are presided over by Georgists Knud Tholstrup and Robert F. Jensen.

In parliament, the Justice Party members were elected to three permanent committees of the government. They voted against the increased subsidies for the Danish Airlines and protection of the peat industry by tariffs. The production of oil from peat was a wartime measure, expensive and uneconomical. Knud Tholstrup asked the Danish Parliament to re-

move the tariffs on imported oil which is cheaper and finer than the home produced product. He also pointed out that the subsidies to keep down the consumer prices on milk and bacon were no longer necessary and directed the Minister of Agriculture's attention to the fact that cooking fat could be imported from America at half the price it sells for in Denmark if the trade barriers were removed. Although the Justice Party gets very little notice in the Danish independent newspapers, its influence is realized in spirited public action. When the Justice Party initiated a signed protest to the Minister of Finance criticizing the present system of restrictive taxes, workers groups followed suit with similar protests. It is true, however, that all parties are agreed that taxes are too high, but almost in the same breath the Conservatives and the Social Democrats seek ways to give free lunches in the schools . . .

Write to Auntie in America

Many Danish business men have accepted the war-time measures of doing business. They have mastered the red tape, quota reports and other restrictions and they find that these restrictions assure them of a buyers' market due to the artificial shortage of materials. In the garment industry the small retailers belatedly realize, with some dismay, that sales are gradually falling off. It appears that the consumers would rather do without the drab new garments which the Trade Directorate thinks fitting for the Danish public. The Directorate does authorize the import of good English wool and worsted with the stipulation that the manufactured finished clothing be sold to Norwegians, Swedes and Finns for hard money or American currency. However the potential buyers have discovered that fine woollens and worsted can be purchased directly from England, and the Danes are left holding their planned economy materials. Canning officialdom found that dollars could be had for this material if each Dane wrote to a relative in the U.S.A. for dollars in order to purchase material. A small-town clothier elaborately displayed 500 yards of English material with a sign stating that the cloth can be bought for \$32 in check or cash, and continues with the following "write to your aunt or uncle or somebody in America willing to send you dollars and I can sell you enough for a suit."

Adjacent to this display was another, showing more fine English material—the legend reads "For Finns, for Swedes, and Norwegians" and opposite these was a drab tweed suit of mediocre quality marked "for Danes." Other signs read: "if we were free from the Trade Directorate you too could get the merchandise you want" and "the authorities are more interested in prices than in quality goods, we clothiers can solve the problems of supply if we are permitted to manage our own purchases!"

It is hoped that displays like these will open the eyes of the Danish public to the inadequacies of planned economy. As Professor Wilhelm Ropke stated at a Jutland University, the only factor that up to now has prevented the collapse of planned economy in Denmark is America's helping hand—it alone keeps this so called democratic socialism from falling into the abyss of totalitarian collectivism.

—ARTHUR LEA

The Blind Leaders

(Continued from Page One)

Land is not capital and does not cost anything in human effort. Everything else does. That is the difference which sharply and cleanly separates land rental from payment for the use of buildings, tools, and stocks in trade. Capital is a tool, and the man who created it should retain what he earns from its use. Tools are used to perform service, they should be encouraged. Money invested in the privilege of exacting tribute in the form of land rent is not capital—it is not usefully invested.

All monopolies other than land are simply opportunities for someone to get a little more than he deserves for what he gives, until competition or buyer resistance checks him. Cartels? Stockholders and bondholders? They are simply participants in corporations that may be good and useful or evil and leechlike. Remove privilege and they will adjust with the change.

The resentment against big corporations is purely habit thinking. Admittedly some are evil, but most of them spend fabulous sums in research seeking new processes, economies, and products, and you buy from them because you want their product. You don't have to. You can buy something else or refrain from buying. But you do have to have a little space on earth. That is one monopoly you can't escape. What other monopoly were you ever compelled to deal with? Nobody ever had to buy a particular make of car. Nobody ever had to buy a copyrighted novel that made an author rich.

Where would we have been in 1942 if it had not been for our great financial structure? Yet the National Association of Manufacturers has been the target of elaborate abuse and has spent millions of dollars, attempting, and with little success, to make the American people realize the greatness of something that they should be automatically and unthinkingly enthusiastic about.

A wise friend once said to me that there is a difference in the definition of the word *capital* here and in Europe. Here it is a method of doing business—there it is a class. The preponderance of class there is based on the claim to land "ownership." The landed gentry soon came into possession of everything, including the people on the land.

How fine it would be if we could say to other nations, "abolish privilege and all taxation that can increase the cost of living. As you prosper your land rental will grow. Collect that and that only—spend it in the public interest. Your industries will pay higher wages when they are freed of taxation. Your land, freed of speculators or idle landlords, will be accessible to those who can use it. Employment will be provided and workers will soon be scarcer than jobs. Earning workers make sound customers for business. Since no one will live by tribute, effort will bring more reward. Then if you want help we'll help you . . . but you won't need it."

The dream of economic freedom in a peaceful world is now in the process of being realized. All the other accomplishments were first dreams, then blue-prints, then material realities. Our dream is being changed into a blueprint in the minds of our students. Frustration and hopelessness drop from them. They now have economic freedom for the focus of their minds. Each one who learns becomes a unit in an expanding dream, and when enough are taught, they will do what is necessary to make the dream a reality. —EVA L. MAXWELL