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THE DOCTRINE OF HENRY GEORGE

PERHAPS a personal word will be forgiven. For many years the writer has been interested in what we vaguely call social problems—questions of poverty, unemployment, and all the kindred evils, which overlap many fields, social, economic, political, philosophic and ethical. Economic study has ranged from such older writers as Smith, Ricardo, Mill, and Spencer, through Marx and his apostles, to the self-appointed prophets of today, although many of the latter may be briefly dismissed. "One does not have to eat all of an egg to know that it is rotten," and a plan marked by unsound premises, logical fallacies and the inability to distinguish between shadows of symbols and realities of substance scarcely merits serious study. Today emphasis is on distribution, with seldom a thought of how fanciful schemes would choke production. What good does it serve to try to work out plans for the division of what we no longer produce?

Disillusioned time and time again, we continue seeking an explanation and a remedy for social injustice and wrong, and so turn back constantly to Henry George, and, measuring his teaching by any standard—logic, practicability, promise, and, above all, by the standards of morality—find its soundness increasingly apparent. Study brings ever-multiplying aspects and ramifications, and it becomes evident that it would bring benefit in nearly every phase of life, but it is no cure-all. The millennium will never come

through a set program, for back of all our philosophies is man's character: society is but the aggregate of its people and its soul is their soul. Man's spiritual nature and his attitude toward his Maker, reflected in our relations with our fellows, must be the source of whatever is good in our lives, though this is an aspect of personal life and not of statecraft.

In George's experience we have a striking example of the spiritual significance of a quest for justice. Despite his upbringing, he was for some years indifferent to the spiritual meaning of life. Creeds, dogmas, formalities and rituals never meant a great deal to him, and there was a time when even that religion which is a deeper thing lost its hold and he found himself unable to believe in God. Nevertheless, all his career was marked by an integrity and an idealism never to be completely divorced from religion, and he writes: "When I first realized the squalid misery of a great city, it appalled and tormented me and would not let me rest for thinking of what caused it and how it could be cured."

Seeking the answer to this age-old conundrum, George found more than he was searching. There is little indication of any spiritual motive, unless one regard his burning desire for justice and his deep sympathy for the distressed in that light. But no one can give himself whole-heartedly to sympathy for suffering and resentment of wrong without spiritual growth, and his thinking was recast. Convinced that the universe is under intelligent and beneficent rule, and that its evils are not the will of God but the inevitable consequences of disobedience to inviolable laws, he recovered the faith which he had lost.

With the crystallizing of his thought recurs a deep faith in God and in His provision for men. "Wherever I have looked," he writes, "through all that I see around me, I see

the trace of an Intelligent Mind. In natural laws, and especially in the laws which govern the social relations of men, I see, not merely the proofs of intelligence but the proofs of beneficence." Again, toward the close of his greatest book, he affirms his belief in an after life and writes, "Out of this inquiry has come to me something I did not seek to find, and a faith that was dead revives."

To ignore this aspect of George's life and teaching is to miss its highest import. The insight of men varies and we do not all see the same picture in the same beauty, but countless people who have absorbed George's philosophy have experienced the reawakening that was his. To anyone acutely aware of the injustices of life and conscious of the suffering about us there is immeasurable relief in finding that we have within our grasp a remedy which stands every test, and no longer does resentment undermine faith. The way is open and its pursuit becomes a paramount duty and an enduring satisfaction.

George's philosophy, original with him, had, like many great truths, been glimpsed by others. Dove, in England, the physiocrats who proposed *l'impôt unique* in France, and many others had seen the principles which George was to work out with clarity. Cadwallader Colden, colonial surveyor and provincial governor of New York, long ago proposed "to establish quit rents on all past grants," arguing that "they would be sufficient to support government and, if applied to that purpose . . . would give a general satisfaction because it would be as equal a taxation as could be contrived and the taxes would not, as now, fall upon the improvement and industry of the people." However, it remained for George to formulate a clear and precise statement of land monopoly in a logical way which commands attention and becomes a living force.

Acceptance of George's doctrine does not compel accept-

ance of him as an infallible prophet, nor does it mean dotting every "i" and crossing every "t" precisely as he would. There is divergence of opinion regarding some details of his teaching, the specific measures to be followed, and how far and how fast we can go. Past follies must be paid for, past engagements be met, and taxes other than on land values may long be necessary. These complications do not, however, upset the fundamentals of his argument, and minor details may be deferred until glaring evils are abated and sound basic principles established.

Some so-called taxes hardly deserve that name, for their aim is something other than the collection of revenue. Some, like water rates, are payments for specific benefits and services, and some, like the dog tax, are police measures to regulate and curb nuisances. The liquor traffic illustrates difficulties which arise from lack of unanimity of opinion. If the use of liquor has no social significance, that trade stands on a parity with the manufacture, sale and use of other commodities and should not be taxed, but, if socially injurious, there is no excuse for tolerating it for the sake of revenue extorted. Men are of many minds, and few see the issue as clearly black or white. So the only course is compromise, restricting a questionable business and making it pay for evils to which it contributes.

Another knotty question is inheritance. Honestly acquired property is ours to do with as we will, but some hold that property rights are always personal and must lapse with death. If a dead man can own and manage property, estates of the dead should go untaxed, but if rights and powers terminate with death it is an open question to whom ownership should pass. Again the answer is compromise, with inheritance taxation more or less as it is today. These border-line cases, which the writer has discussed at greater length elsewhere, are cited to illustrate ex-

ceptional situations which do not in the least affect the general argument.

It may be well to anticipate some questions which often arise. A common one, the justice of imposing on landowners the entire support of government, is already answered by the fact that ground rents are an equitable index of the value of the share in our common heritage held for private use, and since land values are always correlated with government, they directly reflect the services which the state renders. But there is another answer. Joseph II, a seventeenth-century Emperor of Austria, declared: "Land which nature has designed for man's sustenance is the only source from which everything comes," and since our needs are met only by labor, that portion of our wealth which is devoted to the support of government must be derived from levies on land values and on labor and its products, or from both. Insignificant taxation of the former does not mean that the landowner escapes taxation, for today he pays on the use to which he puts his land, and such levies bear more oppressively on him than would taxation on the land itself. To suppose that he profits is as fallacious as to imagine that the motorist would gain were his car freed from all direct taxes on the car, and from the indirect levies which swell its cost, and, instead, a heavy tax be imposed on each mile that the car is driven. Such silly procedure, analogous to present policies as they affect landownership, would destroy all benefits from the car and keep many cars idle in the garage. Incidentally, it would kill the market for gasoline, tires, accessories, tourist cabins, and even for "hot dogs" and ice-cream cones, just as taxes on the use of land restrict building, throttle construction trades and injure a long chain of related industries. If the owner of a vacant lot or an obsolete fire-trap attempts to contribute to the common life, he is so taxed that often he reaps no

profit, evidenced by the razing of good and useful buildings the country over, not to save taxes on sites, for these are not affected, but to save taxes on houses. Exempting use and development from taxation would enable many a landowner to derive profit, while often the best he can do today is to hold his land virtually unused in the doubtful hope of future increment in value.

What is this advance in value, which the economist calls the "unearned increment," and what determines what we call value or price when measured in money? Value is very different from usefulness: the air we breathe is indispensably necessary, but value implies ownership and the possibility of exchange, and since air cannot be staked out and monopolized, it commands no price and has no value. Price of what man makes is basically its cost in labor. As Stevenson puts it, "The cost of a thing is the amount of what I call life which is required to be exchanged for it; immediately or in the long run the price is paid in labor." It is yoked to what we call the law of supply and demand, which should be stated in reverse, for demand, either actual or potential, always precedes supply. So long as demand is unsatisfied, labor will be expended in production until demand is overtaken, as evidenced by falling prices when production halts and the two come into balance. Prices, therefore, are determined by the demand which offers inducement to labor.

These are the factors which fix prices of goods of which the supply is elastic, but there are some things which man is powerless to produce, such as rare coins, stamps, autographs, first editions, and other irreplaceables. The price of such rarities is set not by production costs but by desires, scarcity and monopoly, and, with supply fixed, demand is the only variable and determines price. Similarly, there can be no production of the earth and its elements and

so there is no factor of costs. Manhattan Island once sold for twenty-four dollars' worth of gewgaws plus a disputed jug of rum: today its bare land value is at least six billions of dollars. This vast increase, which has put so much money into the pockets of landowners who did no more to earn it than did the rest of us, has come about because a population of a handful of savages and a sprinkling of Dutchmen has given way to millions living and working on that island, with many more millions to whom it is the center of the life of a continent. It is these people—all of them—who have wrought this increase in value: ethically, it belongs to all, and that is why it is called unearned increment.

A factor often more important than growth of numbers is the progress of society. Enterprise, discovery, and invention play their part in swelling land values, particularly in favored locations. What kind of a city would we have without electricity or modern engineering? Were it not for transit and communication systems how long would Wall Street remain the financial center of the country and what would happen to its values? Pasteur and the pioneers in refrigeration supply a great city with milk and food as truly as do the men who hoe the crops and milk the cows, and Joseph Henry, ringing the first electric bell and building the first motor, marked the way which makes possible a modern city. It is interesting to speculate on the part played by those whom we sometimes belittle as visionaries. The rôle of the manual worker in humdrum tasks is not to be despised, for it is through the dreamer that real progress comes: he raises man above the brutes and to him we must look for the future. In their dreams—"in a sense of law and beauty and a face turned from the clod"—is the key to man's evolution, and it is eternally true that "where there is no vision the people perish." Progress often brings

benefit to some sections at the cost of others, for concentration becomes possible and life gravitates to urban centers. Steel-frame construction and the elevator do nothing to the rural hamlet but draw off population, so we have the paradox of progress increasing land values in some places and depressing them elsewhere, and these values being a social and not an individual product, the loss or the gain should fall upon all.

Government plays no small part in the creation of land values: it makes society and civilization possible, and its direct and immediate services react almost wholly to the benefit of landowners. Sometimes the justice of taxing the vacant lot is questioned: it cannot be carried off by burglars, so why tax it to support the police? The vacant lot cannot go to school, so why make it pay a school tax? It does not walk the pavements and it cannot burn up, so why must the owner pay for streets and fire departments? But though the owner fail to utilize these things, they are his and he benefits nevertheless. Try to buy a vacant lot in a great city, with streets, water supply, sewers, fire and police protection, transit lines, the services of the utilities and the best schools. Does the owner reduce his price because these things are useless to him and sell at the price he would have asked when all was a howling wilderness? He does not! With every improvement made by the community, up goes his price. Winston Churchill well said in a speech at Edinburgh:

“ Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labor and cost of other people. Many of the most important are effected at the cost of the municipality and of the ratepayers. To not one of those improvements

does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is sensibly enhanced. He renders no service to the community, he contributes nothing to the general welfare; he contributes nothing even to the process from which his own enrichment is derived. . . . And all the while the land monopolist has only to sit still and watch complacently his property multiplying in value, sometimes manifold, without either effort or contribution on his part. And that is justice! ”

We all know how land values soar when public improvements are made or even proposed, and that though they have been made at the expense of all and have been paid for once, we must pay again in increased rents or price when we move into the neighborhood. Even the landowner himself suffers, for taxation on the utilization of these services deprives him of immediate benefits and compels him to wait a gambler's uncertain chance of ultimately selling at a profit.

It is hoped that this will not be taken as a denunciation of the landowner: he is no more at fault than the rest of us, for he must play the game by the established rules of a vicious system which denies him the opportunity to use his land profitably today. Can he be blamed for taking whatever profit is left him in the uncertain future, though probably the speculation into which he is forced brings loss as often as it brings profit? The writer knows only too well from bitter experience the result of an idiotic policy which robs us of all the advantages which might be derived from the ownership of real estate through its utilization in a way which would bring benefit not only to the owner but to all the community.

Sometimes it is pleaded that our program would “let wealth escape taxation,” but we must distinguish between real wealth and its symbols. Much of what we call wealth, correctly enough in ordinary conversation, is, in fact, only

its token, worth nothing in itself but only attesting ownership or claim to what it represents. A deed to a farm is not land on which you can plant a garden, and drawing a deed increases acreage not a single inch. It serves only to evidence your ownership of land already existing. Stocks and bonds are nothing but certificates of ownership or liens upon the material things which they represent, and the owner of a factory who incorporates his business adds nothing to it by printing certificates. A promissory note attests your right to claim the wealth of another, but in itself it is only a scrap of paper worth nothing, and even money is generally like tokens in a game, nothing more than a voucher. Read a dollar bill and you will see that it is not even a dollar but only a negotiable receipt for a dollar and that printing such slips of paper adds nothing to our wealth.

The taxation of such symbols and of the realities for which they stand is double taxation and as unjust as it would be if after taxing you on your watch, as some states do, the state should tax you also on the check which the repair man gives you when it is left with him. Were these simple facts generally understood, we would be quicker to see the fallacy of such wild schemes as social credits, Townsend plans, and the like, which promise to make all rich by printing pieces of paper. They are fundamentally as ridiculous as hoping to double the number of cars by letting the parking-lot attendant give two checks instead of one for each car left with him. There is also double taxation when corporation earnings are taxed when earned and again when received as dividends by the owners. The corporation is a lifeless thing: its property belongs to its stockholders, and it is as unjust to tax earnings twice as it would be to tax the little business man on his receipts when they are

dropped into the cash drawer and again when they are taken out to spend.

The question of taxing wealth and all that goes with the "ability-to-pay" theory of taxation is confused by a feeling of resentment against large fortunes, for a streak of envy often tempts us to "get back" at the more successful. The desire to "soak the rich" should give way to the urge to deal justly with all, and taxes should be payments for privileges and services and not a communistic means of robbing some of what is theirs in the immoral hope of "evening up."

Under a rational system there would be far fewer excessive fortunes but far more economic security and peace of mind. Andrew Carnegie was quoted as saying that ninety per cent of the great fortunes originated in the ownership of land, and a distinguished sociologist puts the percentage even higher. Such unearned wealth would not be easily amassed under the proposed plan, though truly earned moderate fortunes would be more numerous. Those honestly earned by exceptional vision, enterprise, intelligence, and toil, and not through privilege, should arouse no resentment. Their creators, who have earned what is theirs by foresight and courage above that of ordinary men, are entitled to what they produce, especially as their initiative opens new opportunities and broadens life for all. Generally, too, such men, knowing the cost of their wealth in study, thought and labor, use it in ways which leave little room for resentment.

But there is another category, fortunes accumulated by operations ranging all the way from being mildly anti-social to fraud, violence and crime. Surely, say some, such fortunes should be heavily taxed, but there is not a scintilla of excuse for tolerating wrong-doing and crime because, in the language of the lower world, the state takes a "cut in the

swag" in taxes. An instance of this kind of morality is found in the policy of our greatest state. Whatever our opinions of gambling or of the ethics of the state trying to make men good by law, that state views gambling as criminal and attempts to suppress it—unless it take the form of race-track betting when pari-mutuels are permitted and encouraged because the state derives a large revenue from operations, criminal elsewhere but commendable and moral when gamblers share with the state. The only extenuation lies in the argument that, as in the case of the liquor trade, opinion on the ethics of gambling is divided and resort must be had to compromise.