

LEO TOLSTOY & HENRY GEORGE

"Whatever lives is full of the Lord. Claim nothing; enjoy, do not covet His property."

- Eesha Upanishad.¹

This is an English translation of an ancient Sanskrit scripture preserved in India that would have been known to both Gandhi and J.C. Kapur. Tolstoy's book, *The Kingdom of God is within You*, which so influenced Gandhi, echoes this. The verse is also a reminder of our relationship to the universe in which we live. I have chosen it because I want to focus on a lesser known aspect of Tolstoy's work, that which deals with the right of property.

Tolstoy was born into an aristocratic family with large estates. As a man of conscience, he grew increasingly uneasy about the large income he enjoyed when he saw so much poverty around him. This disparity in wealth bothered him. Like many today, he did not at first appreciate the significant difference in the natures of the two sources of his income: the royalties he received from his writing were the fruit of his own labours; the rent he received as a landowner was the fruit of other men's labours.

Despite having long been accustomed to rural poverty, he was profoundly shocked by the beggars on the streets when he moved to Moscow in 1881. When he finally steeled himself to do something about it, his first reactions, he admitted, were self-centred and emotional. Guilt came first, then satisfaction, induced by his friends' praise, with his own goodness in feeling guilty, and then a feeling that this poverty was not the result of his own luxurious way of living, but an inevitable condition of life. For some time, he occupied himself with organising some measures of practical relief, but realising at last that his efforts were not going to change the *status quo*, he began to consider seriously why it was that such poverty existed. He realised that if the cause could be removed, the effect would disappear. The first question he asked himself was why peasants should leave the country for the town. The reason, he discovered, was that, after the abolition of serfdom in 1861, many peasants were worse off economically. Too much of the wealth they produced went in taxes to the State and in rent to the landowner. He described this process as "the passing of wealth from the producers into the hands of non-producers".²

In his next attempt to solve the problem of poverty, Tolstoy constructed a curiously elaborate economic model, marred by inconsistent analysis, but I won't go into that.

A bit earlier in California, an American writer and self-taught economist, Henry George, was grappling with much the same problem, particularly why, in a country where there was no landed aristocracy, the gulf between rich and poor widened as the economy developed. His answer was expounded in a worldwide bestseller *Progress and Poverty*, published in 1879. It is not known when Tolstoy first became aware of it, but in *What then must we do?*, published in 1886, he referred to "Henry George's project for nationalising the land".

This was in fact a misrepresentation of George's 'remedy', prompted no doubt by Tolstoy's antipathy towards the State. He would have seen that handing ownership of land to the State would only increase the concentration of power, as in fact happened in the Soviet Union.

In an open letter to Pope Leo XIII in 1891 in response to the papal encyclical, *Rerum Novarum*, Henry George set out the moral basis for the right of property:

"This world is the creation of God. The men brought into it for the brief period of their earthly lives are the equal creatures of His bounty, the equal subjects of His provident care."

By his constitution man is beset by physical wants, on the satisfaction of which depend not only the maintenance of his physical life but also the development of his intellectual and spiritual life. God made the satisfaction of these wants dependent on man's own exertions, giving him the power and laying on him the injunction to labor – a power that of itself raises him far above the brute, since we may reverently say that it enables him to become, as it were, a helper in the creative work.

God has not put on man the task of making bricks without straw. With the need for labor and the power to labor, He has also given man the material for labor. This material is land – man physically being a land animal, who can live only on and from land, and can use other elements, such as air, sunshine and water, only by the use of land.

Being the equal creatures of the Creator, equally entitled under His providence to live their lives and satisfy their needs, men are equally entitled to the use of the land, and any adjustment that denies this equal use of land is morally wrong".

In July of 2014 Pope Francis called a summit to help build a more moral capitalism. He is on record as having derided the free market for allowing 'the powerful to feed upon the powerless', words reminiscent of Tolstoy. Unfortunately, the Pope has turned for advice to Jeffrey Sachs, an American economist who advised President Yeltsin on privatising land and state assets in Russia in the 1990s. This was hardly a moral form of capitalism.³

Henry George went on:

"Being created individuals, with individual wants and powers, men are individually entitled ... to the use of their own powers and the enjoyment of the results. There thus arises, anterior to human law, and deriving its validity from the law of God, a right of private ownership in things produced by labor – a right that the possessor may transfer, but of which to deprive him without his will is theft.

This right of property, originating in the right of the individual to himself, is the only full and complete right of property. It attaches to things produced by labor, but cannot attach to things produced by God. Thus, if a man take a fish from the ocean he acquires a right of property in that fish, which exclusive right he may transfer by sale or gift. But he cannot obtain a similar right of property in the ocean, so that he may sell it or give it or forbid others to use it.

Or, if he cultivate grain he acquires a right of property in the grain his labor brings forth. But he cannot obtain a similar right of property in the sun which ripened it or the soil in which it grew".⁴

In the modern world, the right of property extends not only to the "things produced by labor", but also to land itself, a contravention of the divine law. This means, as Adam Smith pointed out:⁵

“Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all”

Once Tolstoy fully understood George's proposal, he became a vigorous proponent of the reform and, out of concern for the Russian people, wrote to commend it to Tsar Nicholas II in 1902:

“Dear Brother,

I consider this form of address to be most appropriate because I address you in this letter not so much as a tsar but as a man – a brother ... I did not want to die before telling you what I think of your present activity, of what it could be, of what great good it could bring to millions of people and to yourself, and of what great evil it can bring to those people and yourself if it continues in the same direction in which it is now going ...

I personally think that in our time the private ownership of land is just as obvious and as crying an injustice as serfdom was 50 years ago. I think that its abolition will place the Russian people on a high level of independence, wellbeing and contentment. I also think that this measure will undoubtedly get rid of all the socialist and revolutionary irritation which is now flaring up among the workers and which threatens the greatest danger both to the people and the government.”⁶

The Tsar did not reply and history tells us how prescient Tolstoy was. In a long article⁷, published in *The Times* in London (Tolstoy's political works were banned in Russia), he argued that replacing autocracy with some form of democracy was not the answer. If political reform were the answer, why was there still social unrest, provoked by extremes of wealth and poverty, in the democratic countries of Europe and America? Democratic reform might be the means to economic reform, but it was not in itself the solution.

George was by no means a communist in the modern sense - nor in the early Christian sense of advocating common ownership. He recognised the need for the individual to reap the benefit of his own efforts, or to own the factory, office block or house he had built, but he also saw how a peaceful reform could be introduced through a change in the tax system. The effect would be to give everyone the same right to use the gifts of nature without acquiring a right of property over nature. Taking the example of somebody's home to illustrate, we find both elements: i) the bricks and mortar with which it is built, and ii) the land on which it stands. The former is the result of work, the latter the gift of nature. So, a right of property can morally be claimed in the house, but not in the land on which it stands. Since both are necessary, what George proposed was that, to acquire the exclusive use of the site, thereby excluding everyone else from what is given to mankind in common, the occupier should compensate the rest of society for excluding them by paying a property tax based on the market value of the site, ignoring the value of the building as it is private property.

A simple analogy might help: If you buy a theatre or airline ticket, you can claim that the seat is 'yours', but you don't own it, you only have the right to its use for a specified time. In the same way, if you bought a house to live in, that house becomes yours by virtue of the purchase, but the land underneath does not. You can call it your house as long as you fulfil the conditions for occupying the site. What might these be? George recognised that a basic law of economics, the law of rent, provided the answer. The value of bricks and mortar do not vary from place to place, but the value of the site can vary enormously. In London, for example, a house in the vicinity of a good school can cost £30,000 to £50,000 more than an identical building in a less favoured location. This is because the value of the site is determined by the amenities from which it benefits. Since these externalities, as economists call them, are not produced by the occupant but by society as a whole, it is only fair and reasonable to recompense society for the expense of

providing them. The value of that benefit is automatically reflected in the market price of the site, and should be paid to society not to an individual. George also realised that this socially created value could provide the government with an income - just as the landowner enjoys today - in the form of an annual rental or tax. However, the government would simply be acting as the tax collector; not the owner of the land, and would have no right to determine who lives where - that would be decided by the property market, as it is today. If the government receives the rental income so determined, there is scope for considerable reduction, possibly elimination, of other taxes.

But how would such a change in the tax system relieve the poverty that Tolstoy and George saw as the major problem facing humanity? There is a well-known Chinese proverb:

“Give a man a fish, you feed him for a day. Teach him to fish and you feed him for life”.

The suggestion here is that the solution to poverty is education which many advocate today. Certainly it helps, but under present conditions the new fisherman would have to rent a site from the landowner before he can start. He would also be taxed on his income and buying a fishing rod, leaving him with barely enough to subsist. Were George's proposal to be fully implemented, if he could find a quiet spot which no one else was using, he would have no rent to pay and no income tax, so he could enjoy a better income and become a consumer of other people's products, thus improving their standard of living as well. However, if he wanted a better spot, perhaps nearer the market, for which other fishermen were competing, he would have to outbid the others for the privilege and pay a higher rent. Society, rather than a private landowner, would benefit from the higher rental income. The advantages and disadvantages of a site are summed up in its market price. The individual is free to choose which site he thinks is best for his home or business. If the site is much in demand the price is high, if not it can be very low. Successful businesses and rich people will gravitate to more expensive sites for the advantages they provide, thereby automatically contributing more revenue to the government. If governments understood the workings of this economic law, they would focus on improving facilities, thereby raising site values and so increasing their revenue rather than taxing people. Improving amenities rather than a tax hike would therefore be the best way for governments to increase revenue, a win-win situation for government and taxpayer.

Many other advantages flow from this simple reform, but I hope I have demonstrated that it offers a peaceful way out of the rising frustration with the unequal distribution of wealth. I would just like to leave you with a thought from Cicero:

*“Now if nature hath given us law, she has also given us justice – for as she has bestowed reason on all, she has equally bestowed the sense of justice on all. And therefore did Socrates deservedly execrate the man who first drew a distinction between the law of nature and the law of morals, for he justly conceived that this error is the source of most human vices”.*⁸

A culture of non-violence can only prevail where natural law is observed, just as an aircraft can only fly if the laws of aerodynamics are observed. It is to the natural law that we must look for the economic principles of the future. 📌

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