

Old Errors Never Die By GLENN E. HOOVER

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TRADITION calls for a banquet to be concluded by either a humorous address or a purely inspirational one. Both types are designed to aid the digestive process while the mind of the listener lies fallow. By eating much and thinking little any man may come to believe that this is the best of all possible worlds. However, your committee on arrangements has defied tradition by inviting me to elaborate on the depressing subject of human folly.

Any discussion of intellectual errors may well begin with their origins. While most of us have little difficulty in creating our own errors, our mental laziness leads us to draw pretty largely from the supply accumulated by those who have preceded us. Most of our ideas, whether true or false, are passed on from one generation to another by the process known as social inheritance. As Montaigne observed, his contemporaries were Christian for the same reason that they were French, English or German, that is, they were born in countries where Christianity was the prevailing religion.

By listening to the accepted authorities, generations of Europeans learned of the fabulous unicorns which had the body of a horse, the tail of a lion and a single straight horn protruding from its forehead. Although it could be captured only by virgins, it was described in great detail by many Greek and Latin writers, and for hundreds of years, the existence of this nonexistent animal was never doubted. It is evident, too, that babies brought up in Maine tend to grow up as Republicans, while babies of the same type, brought up in Georgia tend to become Democrats. In each case they reach their political conclusions with the same credulity that led our ancestors to believe in the existence of unicorns.

If we inquire into the origin of erroneous notions we cannot but conclude that many of them are the fruit of the twin glories of our Genus Homo, our imagination and our reasoning power. It is depressing to realize that the ability to reason is only a mixed blessing, but such is the sobering fact. Our pride in being the only animal species able to master the differential calculus or split the atom should be tempered by the fact that not even the most stupid cow ever believed in numerology, astrology or the mystical properties of the number seven. In short, the human brain is as yet like a machine gone wild. It spews forth both truth and folly and if we know more than other animals, we also harbor illusions, many of them dangerous, from which other animals are completely free.

It is not only our ability to reason which gets us into trouble. Our ability to speak, read and write enables others to make us victims of their self-serving propaganda. Many of the errors with which our heads are filled, are deliberately put there by designing men who know how to profit from them. Adam Smith explained the acceptance of the protectionist fallacies as follows:

"In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so manifest, that

it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind."

(*The Wealth of Nations*, Book IV, Ch. III.)

The business of "confounding the common sense of mankind" goes merrily on. Our high cost producers—frequently aided by their organized workers—strenuously resist every effort to lower the tariff wall which protects them from the rigors of foreign competition. Our businessmen as you may have observed, are eloquent defenders of the competitive system—provided only that they do not have to compete.

The Vitality of Errors

The amazing vitality of errors is due in part to the fact that they are almost immune to the advance of scientific knowledge. The number of those who still believe that the earth is flat must run into the millions. Moreover, the spread of scientific knowledge has given rise to a prolific growth of errors of a kind that might never develop among pre-literate peoples. It may do us good to recall for example that it was in this land of science that an enterprising New Yorker convinced his followers that while the earth was indeed a sphere, we lived not on the outside of it, but on the inside. Books and periodicals have spread this novel doctrine and it may yet win many converts, especially if its emissaries should concentrate on California!

Nor has science, aided by some generations of experience, been able to overcome the opposition to vaccination for smallpox. The early belief that vaccination of children would cause them to grow hoofs, tails and horns is now seldom encountered but there is still enough opposition to vaccination in certain backward areas—such as California—to prevent its being made compulsory. The truth is that in spite of all our talk about living in a scientific age, the art of scientific thinking has not spread very far. Scientists found it easier to split the atom than to rid *Homo sapiens* of his superstitions and make him a really rational creature. As one disillusioned scientist has observed: "Within sight of the meteorological stations men play for rain."

And having begun this rather dismal report on the intellectual capacity of our species, I may as well add that there is considerable reason to believe that this capacity, in the Western World at least, is declining. Many scientists are convinced that the limits of our intellectual powers are determined by the qualities of our cerebro-nervous mechanism, and that such qualities are largely inherited. The fact that throughout most of the Western World the birth rate of the intellectually gifted is far below the birth rate of the duller members of society, supports the claim that the intellectual scrubs are outbreeding the thoroughbreds.

It is true that at least in our country, each generation has longer legs, and that beauty queens are, as Falstaff would put it, plentiful as blackberries. But so far as I know, neither length of leg nor pulchritude is evidence of intellectual capacity.

Types of Economic Errors

Much of our loose thinking in economics derives from the ease with which we succumb to the wizardry of meaningless words and phrases. For example, now that we are confronted with the burden of rearmament, there is insistent demand for a program that calls for "equality of sacrifice." Now, for most of us the word "equality" is an enchanting word. "Liberty, Equality, Fraternity" was the slogan which inspired the French people to complete their Great Revolution, and the word "equality" still works its magic.

The only objection to the phrase "equality of sacrifice" is that no one has the slightest idea of what it means. Or to put it in another way, when we attempt to apply it to specific issues each of us has a different idea of what it means. Now, any phrase that has a different meaning for each man who uses it can only be described as a nonsense phrase. Nevertheless, I predict that we shall go on using the phrase "equality of sacrifice" and loving it, as the old woman in the story loved "the blessed old word Mesopotamia," although to her it was as meaningless as abacadabra. Attractive words and phrases that have no meaning should be reserved for baby talk or the platform of political parties. Their use make it impossible to either formulate ideas or to communicate them.

One error which has expanded with the rise of national states is a belief in the omnipotence of governments. For example, it is commonly believed that the real wages of workers could be raised to almost any level if only the government would pass a law which would increase the minimum wage rate. We forget that we can consume only what we produce, and that total production cannot be increased by any governmental legerdemain. Laws which raise the wages of a given grade of workers above the level which would be established in free markets can only reduce the demand for that kind of labor and raise the price of the products affected. Such laws, based on good will rather than on economic realities, are but examples of the pernicious meddling which we can expect from governments for so long as we believe in their omnipotence.

In the matter of inflation we show the same blind faith in the ability of the government to accomplish the impossible. From 1939 to 1951 our government permitted our banking system to increase our money supply, which now consists almost entirely of Federal Reserve notes and bank deposits, by approximately 100 billion dollars. This is an increase of about 148 per cent and during the same period wholesale prices rose by about 140 per cent. That the increase in prices was a result of the increase in bank-created deposits should be apparent to all. It should be equally evident that nothing can keep prices from rising for so long as the banks continue to expand their deposits.

However, the old bad error persists that even though our reserve banks issue more notes and our commercial banks create additional deposits, we still can avoid the inevitable. The rise in prices is attributed to everything except its true cause. Those who believe in what may be called

the Devil theory of history, insist that high prices result from the "proffiteering" of merchants and manufacturers, or the rapacity of labor unions. Others are sure that prices rise only because an inept government permits them to rise. They believe the rising tide of inflation could be held back if only some modern Canute, breathing fire and brimstone, would hurl forth the necessary threats, imprecations, obligations and decrees. So long as these errors persist, no effective measures will be taken to halt inflation.

What governments can do and what they cannot do is perhaps one of the most useful lessons we can learn. Everyone will admit the capacity of governments for evil. I believe it was the late Lord Balfour who said that he had never doubted the efficacy of Bolshevism as a system for making the rich poorer. What he doubted was its ability to make the poor richer. Adam Smith, John Bright, Henry George and other leaders in the movement to free the world's trade were well aware of the power of governments to impoverish their peoples while pretending to "protect" them from foreign imports. But these free traders were as one in believing that, by and large governmental interference with our national economies makes for scarcity, and that only economic freedom makes for abundance.

Not all of those who clamor for federal subsidies, price supports, non-contributory "pensions," et cetera are naive enough to believe that the government can create wealth. What they would give to others they would take from the rich. Now, as one who has always belonged to the lowest paid profession in the world, the prospect of improving the lot of the poor by forcing the rich to stand and deliver has always made a powerful appeal to my emotions. In fact, any doubts I might have had about the justice of such a program would probably have been overcome by my envy and the other vestiges of original sin that are inherent in all of us. But the Robin Hood scheme of taking from the rich to give to the poor can make no lasting appeal to our reason for the simple reason that, except within narrow limits, it would injure the poor rather than help them.

There is no longer any excuse for believing that despoiling the "rich," however that term is defined, will much improve the lot of the rest of us. The experiment has been tried too often. Whether the rich are liquidated as they were in Russia, or their wealth and income is largely taxed away as it has been in Britain, the results have been disappointing. Perhaps we too will have to learn the hard way that a steady increase in production will improve our lot more than any leveling program, whether of the Russian or the British model.

The simplest British worker now knows that any increase in the wages of other workers, or an increase in governmental expenditures, must come out of his own hide, for the simple reason that there are no longer any rich out of whose hides it could come. This may not be the end of economic wisdom, but it is certainly the beginning of it, and I predict that the education of the British workers will soon result

in some important changes in policy. The acceptance of austerity by the British people has been magnificent, but in the long run, abundance is far more attractive. And the British have found that ruthless levelling is not the way to get it.

One of the hardest of economic errors is the belief that abundance is an evil. To guard against it, governments are urged to restrict the importation of goods from abroad so that producers in our high cost industries will not be faced with declining prices. The protectionist error is supported by arguments so fallacious that economists can seldom discuss them without choking on their own impotent rage. I shall not insult your intelligence by dwelling on them. I shall say only that the friends of the Henry George Schools throughout the world should be proud of the fact that the protectionist error was the first that the mind of young Henry George rejected, and against it he levelled some of his most cogent reasoning and stirring eloquence.

However, our fear of abundance leads to more than restrictions on imports. Particularly in recent years we have been frightened by the possibility of having too many of the useful things grown and produced at home. Oddly enough, it was during the depression when our production was at its lowest level, that men talked most of "surpluses," although no one to this day has ever defined the term or told us how the alleged "surplus" could be measured.

This fear of abundance developed into a sort of national hysteria and our government responded by ordering the slaughtering of the little pigs lest they grow into big ones and provide us with too much meat. And it ordered the plowing under of each third row of cotton lest we have too much fiber and too many clothes. The proper remedy for the scarcities resulting from the depression seemed to be still further scarcities, artificially created and financed by our government.

Our industrial workers too became obsessed with the idea that to have more we shall all work fewer hours. Hours per day were to be shortened and the work week was to be reduced until, as some wag put it, the millennium would be reached through the general adoption of a "no-day week." To keep production down the number of workers should be limited by restricting the number of immigrants, by raising the compulsory school age and by restricting the number of apprentices.

To further reduce our working force, we offered charity payments, euphemistically called "pensions," to induce our older workers to stop producing and to concentrate on the pitching of horseshoes. The stubborn ones who preferred work to charity, were told that they could serve their country best if they would consume without producing, and thereby lessen the danger of abundance. I hesitate to recall these arguments because, in a sense, insanity is a contagious disease. Merely to repeat such folly is to imperil the reason of both speaker and audience. Let us be warned—and pass on quickly to a less dangerous topic.

Another error which should be of special interest to this audience is the failure to distinguish between land, the free gift of nature,

and those things produced by labor and capital. Although the site value of land is obviously created by the growth of population, the notion still lingers that individuals have the same "right" to economic rent that they have to the products of their labor. This we cannot admit. We insist that all socially created values should be taken for public purposes by the society which creates them, and that the incomes earned by individuals should go to those who earned them. It is only when the site value of land is insufficient to cover the expenditures we wish the government to make, that individuals should be taxed on either their wealth or their income.

The failure to distinguish between land and the products of labor is not, as many believe an ancient error, but is a relatively recent one. Primitive peoples who live by collecting, hunting, fishing or grazing use their land in common and consider it their collective property. They may try to hold it to the exclusion of foreign tribes, but if any individual tried to appropriate a portion of it to the perpetual use of himself, and his "heirs, successors and assigns," as the lawyers put it, he would be treated as a madman. It took a lot of sophistry and obfuscation to make men believe that a free gift of nature should be treated in the same way as are the products of their own labor.

Where We Stand

As I see it, the role of the Henry George Schools is not to indoctrinate their students, but to give them a broad understanding of economic principles and problems. It is, of course, true that the thousands of people who support these schools hope that students who attend them will come to see the world somewhat as Henry George saw it. However, the schools are not designed to create "followers" of George or anybody or anything, save only the truth as students may come to see it. George himself never asked for more from those who heard or read him.

You already know how wrong they are who think of George as just another radical crackpot who believed that if we taxed land values only, all our problems would be solved. George peddled no panaceas. Neither his life nor his works can be understood until we realize that he was dominated by a love of freedom and of justice. The torrent of eloquence, both oral and written, which he unleashed on his generation was designed to free the world's trade and to give to each man his equal share of the site value of the earth, which is Nature's free and inexhaustible gift to ~~the~~ the earth.

The belief that all had equal claim to the earth on which they were born was not original with George. As previously stated, all primitive peoples believed that the part of earth which they occupied was for their common use. However, with the advent of agriculture and the permanent settlement of towns and hamlets, it was impossible to treat the earth as a park in which all could roam at will. Nor could it be divided in such a way that all individuals would have tracts either of equal size or of equal value. Their equal rights could be satisfied only by appropriating for public use the site value of the land, rather than attempting to divide the land itself.

If it had been possible to determine each citizen's share of the economic rent of land, and present it to him in the form of cash, such a plan might well have been adopted long ago. This, however, was impracticable. The logical procedure was to turn over to the government the economic rent of land, so that the state could use it for public purposes, and thereby eliminate in whole or in part, the taxes which otherwise must be imposed. But it has proved difficult to win acceptance of the plan because it is too logical to be appreciated by our illogical minds. Men who will work like demons for a ten-dollar raise in pay, or a treasury hand-out of ten dollars, are indifferent to a plan which would reduce their taxes by the same amount. It is against that kind of economic illiteracy that the advocates of site value taxation must struggle.

We can, however, take comfort from the fact that proposals to socialize the site value of land have attained a degree of respectability that seemed unlikely when George was conducting his memorable crusade. Henry George, as a self-educated man with no formal training in economics, was at a disadvantage in influencing the economists of his day. They, in turn, were too often petty enough to resent his ability to stimulate an interest in economic questions which they were unable to equal. They were inclined to treat him as a charlatan, and he responded by charging them with ethical blindness and—more insulting still—an ignorance of their own subject matter.

The hostility which George aroused among the economists of his time has pretty largely disappeared. If in some academic circles he is not yet given what we consider his due, it is because they neglect him rather than that they differ with his analysis and oppose his program. As previously indicated, George's advocacy of free trade is now carried on by every economist worthy of his salt—and some who may deserve only a half ration of it. On the ancient error of protectionism, and the fallacies by which it is supported, the professional economists, both here and abroad, now see eye-to-eye with those who carry on the Henry George tradition.

Nor is there as much disagreement on his land policies as is commonly supposed. The great majority of economists are quite aware of the essential difference between land as a free gift of Nature, and those things which are produced by labor and capital. Most of them, too, agree that this difference justifies a real difference in our treatment of the income which derives from them. Nearly all of them recognize that the site value of land is a socially created value. If they oppose its appropriation for public purposes, it is usually for the reason that they question if this can rightfully be done without compensating those who have rights which they have acquired under existing law. Not many economists would oppose the socialization of rent if we accepted what the Fabians call "the inevitability of gradualness."

I have emphasized the agreement which now exists between economists and Georgists because I belong to both groups and I want them to work together rather than to engage in mutual recrimination. To a considerable extent

both groups speak the same language. For example, although you will find many economists who do not agree with George's criticism of Malthus, you will not find any who believe that an increase in the tax on the site value of land will raise the price of farm crops, or result in an increase in urban rents. Some economists may not be very good at their craft, but they are never that bad!

The older I grow the more I am convinced that significant and permanent reforms can come only from a movement in which clear thinking is supplemented by a vital enthusiasm. Our species is not yet so rational that it can be much moved by a dispassionate appeal to reason. On the other hand, mere emotionalism may lead to such crusades as were carried on by Hitler, Mussolini or more recently, by Peron. As the late Lord Keynes once said, the peril of our age is that powerful states may come under the control of madmen who "hear voices in the air." Any reform movement that is exclusively emotional tends to lead either to nothing or to disaster.

In this connection it is well to recall the British radicals of the nineteenth century. They supported the reform bills which transformed Britain into a real democracy; they converted the British people to free trade and repealed the Corn Laws; they humanized their criminal laws and penal system; they sought to destroy the last vestige of monopoly and privilege; without attempting to despoil the rich they pressed for every reform which would increase the opportunities of the poor. These radicals have been picturesquely described as men with heads on their shoulders and "fire in their bellies."

It is my belief that henceforth any major reform in this country can succeed only if its tenets are accepted by those we loosely—and sometimes disparagingly—call "intellectuals." Whatever their limitations, they seldom have any selfish interests to serve. Moreover they occupy a strategic position, in that they dominate the schools and colleges which shape the minds of each rising generation. I have had few personal contacts with public school teachers, but I can assure you that my colleagues on the college level have pretty good heads on their shoulders. Both as scholars and as teachers they can serve any good cause and serve it well. However, I must add that few of them have any "fire in their bellies." The emotional drive, the passion for freedom and justice which is an essential attribute of any major reform must come pretty largely from those outside the teaching profession.

Those of you who are young, whether in years or in spirit, should be stirred by the opportunities you have to regenerate our sceptical and tired old world. My generation and those which preceded it are passing on to you enough of injustice, oppression, apathy and plain ignorance, to give you full scope for whatever talents you may develop. Do not ever make the mistake of believing that your private business ventures, or even your private amours, can ever afford you the permanent satisfactions which you will receive from your efforts to make this world a more fit place for a more rational breed of men.