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THE ESSENCE OF GEORGISM

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The first title of this essay was "What Really ARE the Fundamental Principles of the Philosophy of Henry George?" That is cumbersome, but it does make clear two of the motivations for the study. First, this is a quest to find and define the fundamental principles, not just to capsulize what we already know; and second, I am more concerned with the ideas, the philosophy of George than with Georgism as a would-be political movement. After all, the movement is but a continuing effort to put the philosophy into practice, and so if the movement is to be well-grounded, the first necessity is to be clear as to the nature and the soundness of the philosophy.

Now, you may say, "What's the big deal? Just go and read George and make a summary outline of the ideas, and the problem is solved". My answer is: That is indeed a good and proper start. Then come the real questions, including some puzzlements. I want to explore some of these and to suggest a few answers.

There is no doubt that Henry George's great concern - his overpowering passion - was the quest for justice, primarily for social and economic justice. However, liberty is inseparably linked with justice. The relationship was made with neat incisiveness by Harry Pollard in a recent newsletter. He defined liberty to be "*a condition of completely voluntary action*" and noted that as such, it is inherently individual. Justice, on the other hand, is not individual but describes the societal condition when "the cooperation

of free men will take place under equal conditions". Clearly, then, liberty is a prerequisite, a necessary but not sufficient condition, for justice. What is, nowadays, known in the United States as libertarianism - that is, the moral principle of voluntarism, of no coercion, which in turn means minimum functions for the State - is thus part and parcel of the very essence of Georgism. This has important implications for desirable goals and activities for Georgists, to which I will return later.

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Henry George carried out his great socio-economic analysis by first stating the two axioms of political economy, then defining precisely the fundamental terms land and rent, labor and wages, capital and interest. I believe there is no significant objection to these concepts as he uses them, and certainly the procedure of careful definition of terms is a prerequisite of sound analysis.

He then proceeds to the Laws of Distribution, that is, the all-important Law of Rent, based upon Ricardo's formulation, and the subordinate Laws of Interest and Wages, and finally to the grand climax of the analysis: Finding the solution to the problem of the persistence of poverty despite progress, to lie in the private ownership of land, and finding the remedy for this, which is to "make land common property" by collecting the full annual rental value, which is exactly the measure of the community-created land value, as the source of public revenue. I have tried accurately to use George's concepts, even his phraseology in this statement, in order to lead directly to a discussion of some questions which I think need to be considered, or perhaps considered anew.

Let us look carefully, first, at the concept of the community-created land value, for surely this is part of the essence of Georgism. The beautiful and powerful Story of the Savannah, in Progress and Poverty, illustrates this concept with great clarity and vividness, and there seems no room for question of the concept itself of community-created land value. But there is an unexamined implication of great significance here. It is that other economic values, such as those that result when labor and capital are combined with land to produce, for example, manufactured goods - that such economic values are not community-created. I don't know that George ever says this, explicitly, but the implication is not only strong, it provides most of the force for the all-important conclusion that since the annual ground rent is community-created it "should" be "taken", that is, that justice requires that it be taken by or for "the community".

Now, the Austrian School of Economists, notably Menger, Böhm-Bawerk, and Von Mises, have developed a purely subjective and individualist theory of economic value, which avoids many of the problems of the classical Ricardian analysis such as the difficult distinction between "use value" and "exchange value", the untenable concept that value is inherent in commodities and was conferred on them by the processes of production, and the resulting notion that the source of economic value is the "cost", in some sense, of production, including most conspicuously the time and effort involved in such production. A further development of these concepts led Karl Marx to his version of an all-out labor theory of value, with the apparently logical conclusion that if labor alone gives economic value, then all interest and profit obtained by capitalists and employers must be

"surplus value", unjustly extracted from the true earnings of the working class.

Harry Pollard has commented brilliantly in an article called "The Free Market of Henry George" soon to be published in Fragments magazine that both George and Marx used a labor theory of value but that their points of view were exactly opposite, in that Marx attributed economic value to labor expended while George "thought value was derived, not from exertion expended, but from exertion saved - a contention that follows from his second assumption".

This is undoubtedly true. It is likely that it is not widely appreciated. But there is more to the question. It is still true, as the Austrian economists emphasize, that market demand, the external evidence of value judgements, is simply the summation of individual actions and interactions, each based upon an individually chosen scale of relative preference and value. In fact, it is true that regardless of whether value is based upon exertion expended or upon exertion saved, or in part upon preference unrelated to exertion, it still is expressed by means of individual judgement and market action. It is a happy result of this analysis that individualism as the basis of economic value is consistent with, in fact is an inherent part of, a universal theory of individualism as the basis of philosophical value in general.

And the picture is broader yet. Another expression of this concept is that value is subjective, and this is but a sub-class of the general epistemological theory that all knowledge is subjective, Ayn Rand notwithstanding. Does this mean that all knowledge is relative? Not at all.

The laws of nature, including human behavior and hence political economy, are absolute in the sense defined by A. J. Galambos that they are the same for all observers at all times and places, to the degree of understanding achieved in a given epoch of history for a local time and place. The caveat regarding degree of understanding is a further indication of the inherent subjectivity of knowledge.

The conclusion from this is that, indeed, land value is a community-created value, but so is every other economic value. The distinction between land and produced goods lies not in the origin of value but in the nature of the entities. Land, that is all natural resources and attendant opportunities, is in fixed supply, comprises the raw material of nature, the gifts of God, to which we must have access if the application of labor and capital is to produce wealth, products to which we will attribute subjective exchange values.

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Access, in the sense intended here, means exclusive occupancy, exclusive use, and above all, security of improvements, including the right to determine the nature of the use and of the future disposition of the land - in fact, it means almost exactly what is meant by property ownership if the thing in question is a produced good instead of land. This was fully recognized by George. In a famous passage in Progress and Poverty he says:

"I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. Let them continue to call it their land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we

*take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent. ...The machinery already exists. ...and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public uses".*¹

Certainly, this statement summarizes a powerful part of the essence of Georgism. There are several points upon which to comment. First, the basic principle of social philosophy is given at the end of the passage quoted: "*...we may ...assert the common right to land...*". The rest is method, what Albert Jay Nock calls George's fiscal scheme, namely "*...by taking rent for public uses.*" Nock analyses and comments at length on this distinction between the philosophy and the method of its application, between George the penetrating social philosopher and George the political campaigner for the single tax. And Nock notes with particular distaste that after George's death the single tax movement was increasingly invaded by assorted varieties of eccentrics, superficial reformers, and political activists who had little economic knowledge and less philosophical aptitude.

Let me quote Nock directly. Near the end of his magnificent book Henry George, An Essay, he says in one place:

"...the final bad effect ...was to put the ethical side of George's philosophy quite completely aside and out of sight. Thenceforth,

¹ Progress and Poverty, Book VIII, Ch. 2, p. 405

rather than as the proponent of human freedom, contemplating men as 'endowed by their creator with certain unalienable rights,' he appeared only as the proponent of a new economic system. He who regarded his fiscal scheme as no more than the means to an ethical end - an indispensable means, indeed, but only a means nevertheless - thenceforth appeared as the proponent of his fiscal scheme as an end in itself; and this is the best that is made of him today, save by a very few."²

And again a few pages farther on:

"George the philosopher of freedom, George the exponent of individualism as against Statism, George the very best friend the capitalist ever had, George the architect of a society based on voluntary cooperation rather than on enforced cooperation - this George, the truly great, the incomparable George, sank out of sight, leaving only George the economic innovator, the author of a new and untried method of laying taxes."³

Note the key phrases: Philosopher of freedom, best friend the capitalist ever had, exponent of individualism as against Statism, architect of a society based upon voluntary cooperation rather than enforced cooperation. These characterize exactly what is known as modern libertarianism. In fact, the thesis of the article by Harry Pollard referred to earlier is that even the

² Henry George, by Albert Jay Nock. 1939. Wm. Morrow and Company, p. 203

³ Ibid, p. 215

ideal libertarian society without State intervention would not achieve economic freedom - specifically, a free market - until land is made responsive to the price mechanism by George's remedy, the collection of the annual rental value of land. From this point of view Georgism is all of libertarianism and an essential bit more, a point that might well impel Georgists toward an especially fruitful cooperation (and missionary effort?) with libertarians.

But much more importantly, this concept that the collection of the annual ground rent is essential to the very existence of a true free market is a fundamental and important justification for George's remedy, and one that does not depend on the non-unique properties of unearned increment and community-created value. Nor does it use, require, or even suggest the profoundly hateful term, tax.

You may note that in this discussion so far I have avoided whenever possible the word tax as well as the common terms single tax and land-value tax. A tax is an arbitrary confiscation by some unit of the State, national, regional, or local. The terms I have preferred to use are "collecting the full annual rental value of land", "taking the annual ground rent", "confiscate rent", and "taking rent for public uses".

George, of course, freely used the words tax and taxation, confiscate and confiscation in every possible permutation, such as confiscate rent by taxation, abolish all taxation save that upon land values, the single-tax on rent, etc. He also analyzed thoroughly all forms and principles of taxation, came down hard against the inequities of all taxation save only

that on the rental value of land, and emphasized the simplification of State activities that the single-tax would produce. The ideas were clear and correct. Yet the terminology has been a source of confusion and negative reactions, however unfounded in substantive reality, from his day to the present. Clearly the negative reactions have psychological reality, to which George, perhaps, was not sensitive.

The desirability of avoiding terminology which points to a new tax and of substituting terminology which stresses the elimination of taxes will be considered in detail on Friday morning at this conference by Morgan Harris and a distinguished panel. The question has great practical importance and that will be stressed in Friday's panel discussion. It also bears heavily on how one conceives the essence of Georgism. To me the argument may go like this: The greatness of George is the philosophical analysis he gave of the common right of access to land by collecting the full annual ground rent, no more and no less, which measures the community-created value. This is not a tax because it is not a confiscation of private property but the means of assertion of equal access to land. It properly can be described not as "the abolition of all taxes except one", but as the abolition of ALL taxes and the securing of equal access to natural resources by collecting the community-created rental value of ALL natural resource sites, exclusive of man-made improvements. The last statement is long because of several redundancies to avoid possible misunderstandings. It can be shortened to taste.

The next question that logically occurs is more thorny. It is: Exactly who is to collect the annual ground rent, who is to receive it to

use, and for what purpose or purposes shall it be used. These questions are not only of great immediate practical importance but are of great ethical and philosophical concern. George was forthright and not much perplexed, apparently. As the only possible just tax and hence the only acceptable tax, it would be collected by the State and ideally would finance all State activities, be they national, regional, or local. There has been detailed discussion concerning the machinery of collection, and the adequacy for support of all the functions of the State, from his day to our own, especially as the scope of State activities has mushroomed in recent years to a magnitude undreamed of in his time. Even so, the estimates of potential revenue, and the actualities of the partial applications of land-value taxation in various places around the world, provide no substantial evidence of impracticality, and of course the purists always fall back on the assertion that if there's a rub, the State must content itself with activities that can be supported by collection of 100% of the ground rent. Let us accept these arguments as valid and look beyond to the larger questions in the theory.

What is the meaning of the question: "Who is to collect the ground rent?" Again, at the immediately practical level there is no problem. Existing assessment and collection procedures, improved wherever possible, for example along the lines of the Danish methods, will serve quite well. However, if "who?" means what socio-politico-economic unit or organization not only collects the ground rent but uses it and for what purposes, then the question is generalized to a problem of the very greatest philosophical importance. Two closely related aspects of the problem concern the size of

the various units of the State and the scope of State activities. George was optimistic that the size and complexity of the State at all levels would be reduced. He was thinking of the elimination of the machinery connected with tariffs, excise taxes, sales taxes, and fees of all kinds; today we can add income taxes to the list. But the emergence and growth of today's welfare States, socialist States, and totalitarian States, with the clear trend in that direction everywhere, even in the so-called free world, raises once again, and with a new urgency, the fundamental question of who - meaning what political or economic or social group - is to collect the ground rent and for what purposes. Even today, among the few places where a partial land-value tax is specifically employed, there are several where the State is more or less socialistic.

If Henry George is indeed the great apostle of liberty and freedom and justice, and if, as Nock believed, the collection of the ground rent is but the means to the ethical end of securing the common right to land, an essential means, therefore, to securing liberty and freedom and justice, then the use of a land-value tax to support a socialistic, and hence inherently coercive and all-encompassing, State is an abomination. And the use of a land-value tax to finance the so-called public sector activities of a partial welfare economy, such as city-planning, social security, socialized medicine, and on down the endless list of today's State interferences with a free society is but a slightly smaller abomination.

Those who support the land-value tax in such circumstances fail to distinguish clearly the means from the end, and fail to realize that no end can be achieved by means which are inconsistent with the end sought.

You may have noticed that in describing this situation, I have now for the first time used, and repeatedly, the term land-value tax. This was intentional. When the funds are taken by the coercive State for typical socialist purposes, it is natural to think of the financial support as obtained by a tax - the more all-inclusive the socialist activities, the greater and the more onerous must be the tax. And vice versa, if a new tax is being imposed, it is natural to think of ever-more expansion of so-called State services. This is the opposite of the goal Henry George was seeking. It is NOT part of the essence of Georgism.

So, let us return to the concept of the collection of the annual ground rent in order to assert the common right to land. Who, then, IS going to collect the rent, and what IS going to be done with it? Failure to provide a sound, powerful, appealing, answer to these questions is a grievous lack in Georgist theory. Nock came closer to grappling successfully with these questions than, perhaps, has anyone else. He notes carefully the long list of George's anticipators in making the philosophical distinction between true property, produced by man, and legally-designated property, namely, land. He mentions that Paine introduced the clear and correct term ground-rent, and correctly characterized it as not bearing on production and as something which every landed proprietor owes to the community, without bringing in the confiscatory and political implications of the word "tax" and without George's ambiguous phraseology about "land taxation" and charging the full expense of government upon land. The justice of collecting the ground rent has nothing whatsoever to do with the support of the political state. It is a tragedy that they have been so linked. Nock says that George's closest approach to

anything savouring of collectivism was his advocacy of a national, rather than a local, confiscation of rent. I submit that, while local collection of rent would indeed be so very greatly superior that nothing else should ever be considered, still the political State is coercive at whatever level, and freedom is not obtained from a coercive mechanism even if justly financed. I am simply amazed that discussion of this point has been so lacking. To assume, willy-nilly, that some unit of the political State will collect the ground rent and then use it at it's will for all the onerous, bureaucratic, coercive purposes of today's omnipotent, omnipresent, butt-insky ruling powers is intolerable.

Clearly, then, the question of who is to collect the ground rent is closely connected with the question of what is going to be done with it. George's all inclusive answer was: To support all governmental activities, and he painted a rosy picture of the flowering of public libraries, art museums, and every variety of cultural activity, as well as the full support of all the everyday State functions. If we use Nock's distinction between State power and social power, and seek, as he advocates so strongly, to minimize the former and enhance the latter, we have a fundamentally desirable and inspiring goal. Almost no progress has yet been made in such a direction; there has been almost no discussion of means, or even of the goal itself. Such discussion is long overdue.

We can now link together and wrap up the two points mentioned earlier: First, to define desirable goals and activities that embody the philosophical, ethical, libertarian essence of Georgism, and second, to strive to eliminate all taxes, and, in the powerful phrase of Morgan Harris, not add another tax.

As to the first, the collection of the ground rent should be sought at the local level, and methods explored for carrying this out with minimum and decreasing involvement - ideally, no involvement - by the political State. The often-mentioned water districts of California might serve as beginning models, and perhaps George's museums and art galleries, libraries and hospitals could participate, and perhaps, as some libertarians would urge, means could be developed for private police, fire, postal and utility services. Let the free market and natural economic evolution direct the spread into wider spheres of activity. The possibilities are intriguing.

As to the second, all who view ethics from the viewpoint of liberty and the sanctity of property will welcome the elimination of the pure theft that is confiscatory taxation as well as any shrinking that may occur in the size and scope of the activities of the political State at whatever level. But beyond this there then comes the great task of making clear to all who seek economic freedom and social justice that only by collecting the full economic rent from landholders, can land be made responsive to the price mechanism in the same way that labor and capital in a free economy are responsive to the price mechanism. This is the point made with such great cogency by Harry Pollard in the article previously referred to.

Thus can the true essence of Georgism once more be propelled to center stage, front, and ethical principle restored to the very basis of all consideration of means to secure justice, freedom, and prosperity.