

## THE JUST DISTRIBUTION OF WEALTH

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It has been suggested that as this is the last formal session of our Conference, my talk should be "inspirational" in character. But I really doubt if I am up to it. We teachers are inclined to leave to others, preachers and politicians for example, the noble task of deliberately inspiring their listeners. Teachers do best when they stick to teaching. Their aim should be the discovery of truth and the dissemination of it. If, thereby, some are incidentally inspired, so much the better. And so, to our subject.

## The Just Sharing of Produced Goods

If each of us lived quite alone there would be no sharing of goods - justly or otherwise. However, goods have to be shared among those who collectively produce them, and in families some shares must go to the young, the old and the incapacitated, even if they produce nothing at all. Some say that the proper formula for family distribution is: "From everyone according to his ability, and to everyone according to his needs". As this is reputed to be a Communist formula you are cautioned to shake well - and look about you - before using. Suffice it to say that whether this or some other principle is used, the head - or heads - of the house are authorized to determine how the family wealth shall be distributed.

There is no generally accepted formula for the distribution of the family income, and disagreements are all too common. From the complaints of children I gather that trouble develops because of the stony hearts of parents - most often the father; from parents I learn that children are selfish and unreasonable in their demands. Never having been a parent it would not be proper for me to take sides in this dispute. In any case, when children come of age they can leave any of my old, male contemporaries who have tyrannized over them, and escape to freedom, as many of their mothers have done before them. Incidentally, I must mark my file copy of this talk as "Unsuitable for Fathers' Day Address."

However, in our society, it is only the minor children and the adults who are mentally or physically incompetent who receive shares that are determined by authority. The shares received by normal adults are determined by a myriad of agreements to which assent must be freely given. Once we escape from the arbitrary rule of the pater familias we live largely by contracts and the law will compel us to honor them. An economy based on agreement as opposed to authority is called a market economy, and if monopoly power is excluded from it, it is called a free market economy.

Most people want commodities to be sold in free markets, but many doubt if such markets are suitable for the determination of wage rates. They insist that workers should be permitted, or even encouraged, to organize and bargain collectively with their employers. They believe that just wages can be had only if workers are permitted to collectively decide the minimum price at which they will sell their services, and, if agreement can not be reached with their employers, to enforce their demands by the use of strikes and boycotts. In short, the price-fixing practices which are forbidden to the sellers of commodities are accepted as proper for those who sell their services.

Would the public interest be served if wage rates, as well as commodity prices were to be determined by demand and supply rather than the power and endurance of the unionized workers? Because of the general reluctance to discuss this controversial issue in public, the uninhibited should make a special effort to understand the issues involved. Our Schools would be unworthy of public confidence if we timidly sweep the tougher economic problems under the ever-inviting rug.

By definition, a free market for labor is one in which no monopoly power is exercised by either employers or workers. In such markets, how much will a prospective worker receive? The amount of the offer can not be predicated, but this much is evident:

1. The employer will not offer more than his estimate of the value to him of the worker's services.
2. The worker will not accept any offer that is less attractive than he can get from some other firm.

Within these limits, if he is to work for the firm in question, a wage must be agreed upon. If there is a more just method of determining wages, I have yet to hear of it.

The free market method of determining wage rates is not something imagined by ivory tower economists. It is the method actually in use for more than

two-thirds of the workers now gainfully employed in our country. Complaints about "unjust" wages are made more often by unionized workers rather than by those whose wages are determined in free markets. It is true that the unorganized workers have few means of publicizing their grievances, but if their resentment were wide and deep it seems that they would either demand governmental wage-fixing or would organize themselves into unions. The fact that about two-thirds of our wage workers do neither of these things indicates that they are reasonably satisfied with the "justice" of the free market method by which their wages are determined.

### The Just Sharing Of Non-produced Goods

Thus far we have considered how the value of produced goods may be fairly shared between the Labor and Management which produces them. But how can the earth, a free gift of nature, be justly shared? We believe that the earth is a part of our common heritage to which all of us have equal claim. This is not a belief that is confined to those who call themselves "Georgists", nor did it originate with them. The notion that the earth belongs equally to those who live upon it is as old as the race itself; it has been accepted by peoples in all stages of development, from the most primitive to the most advanced.

How can the earth be shared so that each may have, roughly, his equal portion? For primitive peoples who live by hunting, fishing and collecting, the answer is fairly simple. At least within recognized tribal limits, they roam where they please, and one man's use of an area does not preclude other men from using it in the same way. There are no title deeds nor fences; they all use the land in common. In agricultural societies, rough justice can be obtained by taking some land from the larger holders and giving it to the smaller holders. If such redistribution can be carried out peacefully, few will criticize it; if revolutionary force is required, only the violence will be regretted.

Advanced societies can not rely on the primitive device of "dividing up" the land, for that device is suitable only for rural areas occupied by small-scale, peasant farmers. Our urban areas can not be "divided up" among their inhabitants. Fortunately, we already have in operation a taxing system which enables us to justly divide the value of land, rather than the land itself.. Equality can be attained by taking for public purposes all of the socially created value of land, as distinct from the improvements made upon it. In this way the value of the land can be distributed with as much equality and justice as we can expect in human affairs.

To take the socially created values of land for public purposes would also lessen the burden which other taxes impose on the production and distribution of goods. All economists, however orthodox, are agreed that taxes on currently produced goods tend to reduce the supply of them, whereas taxes on land values obviously can not reduce the supply of land. They are also agreed that taxes on produced goods are part of the cost of producing them, and must normally be passed on to the ultimate consumer, whereas taxes on site values, because they do not alter either the supply of land or the demand for it, can not be passed on to anyone. They rest on the land owner, but they do not discourage the work and the savings on which our prosperity depends.

The equal sharing of the earth is often condemned as a revolutionary goal, and so it is, in the sense of being fundamental and far-reaching. However, it is a goal that can be reached gradually and peacefully. Peaceful revolutions are often more profound and produce more permanent results than do the violent ones. For example, within about one generation the people of Britain have probably led the world in the equalization of wealth and income, and this without any tumult or disorder. In the same way our goal can be reached by gradually shifting the tax burden from improvements to site values, until all of the socially created value of land is used for public purposes.

Such a program appeals not only to idealists but also to those who pride themselves on their down-to-earth practicality. Many of these, including most of our prominent business leaders, are now actively supporting the slum-clearance and urban renewal programs of our various cities. I am glad to report that many of these practical citizens are incensed because our system of taxing improvements contributes to the slums and urban blight they are determined to remove. With their support the land value taxation movement may go forward, not at its traditional snail's pace, but by leaps and bounds.

### Justice In The Market Place

Ever since the use of money supplanted the barter system, there have been complaints that prices were either too high or too low, and often they are charged with being both at the same time. The pesky things seem never to be right. For long it was believed that a price was just, if it was the customary price - a formula obviously inapplicable to new products. However, when the precious metals flooded into Europe from the New World, the resulting rise in prices could not be halted by appeals to tradition. We now know that the justice of a price depends, not on whether it is "high" or "low", but on the justice of the way in which it is determined.

There are only three ways by which prices can be established. They can be fixed (a) by public authority (b) by private monopoly or (c) by free markets in which several buyers and several sellers operate independently of each other. I am excluding the special case in which there is but a single seller or a single buyer because it is rare and relatively unimportant. Our task then is to weight the merits of the three systems mentioned above.

Governmental price-fixing on a comprehensive scale has been so discredited by experience, particularly during the last war, that it now has few defenders. It inevitably leads to hoarding, empty shelves, disappointed customers, black

markets, a swollen bureaucracy, and nearly all the evils that a marketing system can develop. Our government still fixes the prices of certain farm crops, but the results have been disastrous. The program has already cost our taxpayers billions of dollars, deprived us of much of our foreign markets, and even the farmers who were to benefit from it have been disillusioned. Its days are numbered.

The government, as employer, must of course fix the wages of its own employees, but no one wants it to fix the wages in private industry. On this, Management, Labor and the Public are unanimous. The single exception is to be found in the practice of establishing minimum wage rates for certain classes of workers. If the rates established are below prevailing market rates, they are ineffective, and if above the market rates they will make it difficult for the less efficient workers to get jobs. The worst feature of the device is that politicians may use it to get votes even if the poorest paid workers are hurt in the process.

Governments must also fix the prices charged by public utility companies because they operate in fields where competition is impractical, or even impossible. But with the exceptions noted above, our economy is regulated on the assumption that free markets will result in fair prices and all our anti-monopoly legislation is designed to keep these markets free. As buyers we want to pay as little as we must, and as sellers we want to sell for as much as we can get. A free market economy is the only one which offers these opportunities.

Will free markets provide just prices, whether for services or for goods? This is an important question and the future of our economy largely depends on our answer to it. It must be admitted that in such markets certain producers may have to sell below costs, and that the poor will pay the same price as the rich. The market is as impersonal as the weather; the winds are not tempered

to the shorn lambs, nor are market prices tempered to the needy. Their care is the responsibility of the state, but such care can be provided without disrupting our markets. If wealth is to be distributed<sup>ed</sup> more equally, let it be done in some other way, leaving the markets to establish a price that shall be paid by all consumers, whatever their status or their wealth.

### The Evil Role of Governments

The major restrictions on the freedom of our markets are imposed by those who make our laws, especially those at the national level. This is not because there is more wisdom in our state capitals than at Washington; it results from the fact that our Constitution prevents our states from interfering with domestic trade, while authorizing the Congress to impose restrictions on our foreign trade. If our Constitution did not stand in the way we can be sure tariff walls would have been raised around state borders as they have been raised around our nation.

Our high-cost producers who profit from these tariff walls know that lawmakers must at least pretend to act in the public interest. They therefore argue that the restriction of imports will increase employment, raise wages, ensure prosperity, etc. But they are not naive in economic matters. Adam Smith said of those who first advanced such arguments that they were by no means such fools as those who believed them, and the same is true today.

There are, of course, some who honestly believe that our national prosperity depends on the maintenance of our protective tariffs. However, it is not these innocents who put the pressures on the Congress. The pressures are applied by those industries that would encounter vigorous competition if our consumers were allowed to buy freely from abroad. The clamor for governmental intervention comes from Management, but their workers provide an effective claque. Both groups understand how tariffs work better than do the consumers.



If this were not so, there would be no tariff walls.

For several generations the false claims of the protectionists have been rejected by economists with a unanimity that is rare in the history of economic thought. Nevertheless, protectionist absurdities are still widely believed. Those who believe the cruder claims of the protectionists can believe anything, and none can foretell the follies into which they may plunge us. To protect ourselves, if for no other reason, all must be given opportunity to learn the elementary principles of economics.

Nor should we believe that light is needed only among the lowly. Men in high places in industry, government, radio, press etc., can often spread enough error in a day to keep the forces of enlightenment busy for a year. A commentator on one of our national networks who fancies himself a champion of free enterprise - largely because he had the McCarthy approach to the problem of communism - recently conducted a nation-wide campaign for higher tariffs. The arguments he used were what you might expect from a "slow learner" in a third rate high school, but he reached his millions with his contribution to economic illiteracy.

It is sometimes difficult to tell whether a muddler of public opinion is naive, or smart and selfish. For instance, the Public Relations Director of our leading chemical firm took part in a recent panel discussion held by the United States Chamber of Commerce. He spoke on "The Free Market Economy" and his address was widely distributed. He offered some sound criticism of price controls, rent controls, public power, "socialized medicine (without defining it), public housing etc. But he was eloquently silent about the import duties which our government levies on products which compete with those his company produces.

These duties range up to 25%, and even higher for some items, thereby making it impossible for our consumers to benefit from lower prices charged

abroad. Our corporate giants in the manufacturing field are the chief beneficiaries of tariffs - the first, worst and most persistent form of governmental controls. Until they renounce this kind of governmental interference their spokesmen might at least refrain from lecturing us on the virtue of "free markets" and the evil of governmental meddling in economic affairs.

It is particularly appropriate for us here to recall that Henry George was an unrelenting opponent of controls which deprive us of our right to trade freely with the citizens of friendly countries. This right George defended with a zeal which modern libertarians might well emulate. In the presidential campaign of 1880, certain Democratic leaders, then as now little more than "tariff reformers", asked George to make a series of talks to industrial workers about the tariff. In his first talk he said that he had heard of high-tariff Democrats and revenue-tariff Democrats, but that he was a no-tariff Democrat who wanted to "sweep away the customs houses and customs officers and have free trade". His forthrightness delighted his audience but scared the wits out of the Committee that had engaged him and he was not asked to speak again. Practical politicians have always believed that electoral victories go to the mealy-mouthed.

The tariff question is now described - quite accurately, alas! - as a "local issue". Members of the Congress try to secure tariff favors for local firms, whatever the effect on our economy as a whole, or our role in international affairs. It was not always so. Our early Libertarians did not think in terms of special, local interests. They solemnly declared that to employ the tariff device to take money from consumers and give it to producers was an abuse of governmental power and a violation of the rights of free men. How the Great Debate has degenerated since the days of Adam Smith, Bright, Cobden, Sumner and Henry George! We must see their like again.

Citizens who can judge how public policies affect our liberties and our

rights are the great need of our time, and to increase their number is the goal of the Henry George Schools. We could have no higher goal, for, as we may ultimately learn, it is "Righteousness that exalteth a nation". Nor can life offer greater rewards than come to those who labor together in a good cause. Ours is a growing band of "happy warriors", and if mad men in high places do not destroy the earth prematurely, we shall some day make our land as famed for its freedom and its justice as it now is for its wealth and power.

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