

**CONFERENCE ON DR. SUN YAT-SEN
AND MODERN CHINA**

**Sun Yat-sen and the Modernization of China:
The "Georgist" Connection
by
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PAPER ABSTRACT

There is a strong historical connection between the social philosophy of Dr. Sun Yat-sen and that of the American, Henry George. Both men were subjected to similar Western influences in their boyhood and young manhood. When Sun Yat-sen was introduced to the social philosophy of Henry George he was fertile soil, and a modified version of George's taxation ideas became part and parcel of Sun Yat-sen's thinking and of his programme for China.

This influence of George upon Sun Yat-sen seems to have been discounted in that an initial attempt to introduce his "single tax" policy was a failure. It is necessary, however, to realize that the implementation of such a policy needs a sympathetic and aware populace, and a stable and efficient administration. Furthermore, it is necessary to have a more than merely superficial understanding of the social and economic implications of land value taxation as advocated by George, if they are to be successfully applied.

Insofar as the Republic of China in Taiwan is now an advanced State with a sophisticated economy on the "Western" model, the Republic is facing similar types of economic problems that those other economies face. One of the basic problems is the capitalization of social progress into the burden of land *price*. It is evident that the approach of Dr. Sun Yat-sen of taxing away future "unearned 'capital' increment" in the price of land is *not* proving very successful, particularly in the urban areas, although the earlier rural policy of "soil to the tiller" on manageable economic terms was highly successful.

Taiwan has moved on from those conditions of the nineteen fifties, and as the Republic and the regime on the mainland both now enter into a new phase which, more and more, involves them with the whole community of nations, the economic and social philosophy of Henry George, stated with such clarity over an hundred years ago, will be found to be more and more relevant.

The purpose of this paper is to spell out why.

SUN YAT-SEN AND THE MODERNIZATION OF CHINA: THE "GEORGIST" CONNECTION

Kenneth N. Grigg

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"It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers.

No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker.

We find in 'Progress and Poverty' the analysis of a scientist combined with the sympathies and aspirations of a great lover of mankind. There have been economists of great repute who in their pretention to be scientific have ignored the most significant elements in human nature. There have been others who were emotionally stirred by social ills and who proposed glowing schemes of betterment, but who passed lightly over facts. It is the thorough fusion of insight into actual facts and forces, with the recognition of their bearing upon what makes human life worth living, that constitutes Henry George one of the world's greatest social philosophers".

Professor John Dewey

Columbia University

In the Australian Army, they have a very effective way of instructing new recruits in the *do's* and *don't's* of handling a rifle.

Firstly, they show him how *not* to behave with the weapon, by initially making a caricature out of its use. They use the magazine as a cigarette dispenser: pulling back the bolt of the rifle ejects a cigarette – to the amusement of everyone.

It was with wry amusement that I read certain remarks by one speaker at the 1981 International Conference on the History of the Republic of

China, who, in delivering his own potted version of the economic theories of Henry George, provided his audience with what I can only describe as a caricature — and thereby usefully demonstrated the fact, which all might heed, that in venturing in a critical fashion upon the field of expertise of others, one needs to be adequately versed in the subject oneself!

I have found it necessary to refer to this matter for two reasons. Firstly, the inference to be drawn from this particular speaker's examination of the Single Tax project for the turbulent and disorganized, immediately post-Manchu Kwantung Province of 1912 was that George's "single tax" theory was in itself a dismally inadequate one, anyway, and therefore to be dismissed as irrelevant to the needs of China for all time. There is a great deal more to be read into the significance of George's fiscal proposal than meets the eye. Can Confucius be encompassed in a cliché? Of course not! No more can the breadth and depth of the social philosophy of Henry George be encapsulated in the simple term "single tax". So, lest that stance remain unrefuted, I shall have to devote some space, along the course of this paper, to doing just that. I need to do so, because, as I shall show, the socio-economic philosophy of Henry George, in all of its sophistication, is central to the orderly development in modernization of China.

Secondly, and particularly in the light of the somewhat intemperate dismissal of my own paper by that same speaker at the 1981 History Conference, it makes it all the more necessary for me, a person who can make no claim to be an expert in Chinese history, to justify my presence on this present occasion.

As it happens, I have, you may concede, an impeccable justification to take part in this Symposium. "*Progress*", the Georgist journal in Victoria, published since early this century, features the following item on the front page of its May 1912 edition:

China and the Single Tax.

The "Argus" on 6th April last published the following remarkable cable:—

China's Ideals.

Single Tax and Free Trade.

Henry George's Model

SHANGHAI, 5th April.

Dr. Sun Yat-sen, who resigned the position of first President of the Republic in favour of Yuan Shih-kai, has been interviewed on the eve of the opening of his propaganda.

"The greatest social revolution in history," said Dr. Sun, "is commencing. Henry George's idea will be practicable on China's virgin soil compared with their impracticability in Europe or America, where the capitalists control the money markets.

"I have obtained the full consent of the Government, and will start on my propaganda work immediately. The Government will adopt control of the railways and mines, and its policy will include the Single Tax system, and, as far as possible, Free Trade."

The "Age" of the same date gave a similar cable.

As an American attorney-at-law might say, "I rest my case"!

This is not to say that George was right, or that Dr. Sun Yat-sen was right. What is right in this present context is the right to associate them.

But time has moved on. The relevance of my contribution to this particular Conference is based upon the fact that the Republic of China in Taiwan is now an advanced entrepreneurial economy, with a sophisticated level of development in industry at all levels, with a competent and stable administration, having long since emerged from the phase of the nineteen-fifties of the "soil-to-the-tiller" programme and associated cottage industries at a low level of technological expertise. Taiwan has now entered a completely new phase which includes a sociological phenomenon that is at work in comparable "Western" entrepreneurial economies, namely, the aggregation of rural holdings into larger units that are economically more efficient, and with a most significant migration of population to urban complexes.

Contrary to caricaturized concepts of Henry George, he was concerned *most of all*, to write about, and under conditions of land monopoly, to warn about, the economic and associated social effects of urban concentration of populations, and the effects of increased education, advances in administration, in the arts and in technology.

He addressed these topics in a series of books and shorter articles, of which *Progress and Poverty— an enquiry into the causes for increase in want with increase in wealth*, is but the best known. My complaint, in part, is that those who presume to criticize his writings often simply just have not read

them, but have picked up erroneous ideas second hand from the comments of others. Therefore I feel beholden to give you an authoritative, albeit condensed, exposition of what the thrust of Henry George's contribution to social and economic literature really was, and then to relate it to Taiwan in the 1980's — not to Taiwan only, but to Taiwan within the overall context of modern Western-type economies and the difficulties that they have run into because their economic policies, mostly ignoring the "land question", have been building their Keynesian castles in the air.

I therefore offer the following exposition. You can count on it for accuracy.

Henry George was born in 1839, *not* in California, so it happens, but in Philadelphia. Charles Albro Barker (for whom I once had the honour of hosting a dinner) provides a perceptive account of his upbringing in an Episcopalian household in which reading of the Bible figured centrally. It was an influence akin to those upon Sun Yat-sen in his school days at the Anglican Iolani College in Honolulu. Young Henry George, like the young Sun Yat-sen, was of an inquiring and independent mind. The background influences in their adolescent years had much in common, and it is my belief that this fact is highly significant to the readiness with which Sun Yat-sen was fertile soil to the seeds of Henry George Thought in his young manhood. He was, I believe, strongly attracted to that same moral imperative by which Henry George himself was motivated.

After many vicissitudes, George settled in San Francisco, leading a hand-to-mouth existence. The railway had come across the Rockies, thereby ending the isolation of California, and one might have thought that this would have raised general standards in livelihood for everyone. But this was not the case. The main immediate economic effect was that California became the seat of intense land speculation. Wages did *not* go up — precisely because the price of land *did*. (And I'm not so sure that things are so very different there, today!) It was at this time that the hobo first appeared on the Californian scene. George became aware of the process, his enquiring mind found the answer, so he himself records, as it were in a flash of revelation, in one of those rare mystical moments that are the fortune of some people to vividly experience in the course of their lives:

One day he was resting his horse on the heights overlooking San Fran-

cisco when a teamster came by. Somewhat idly, George asked him, "What is land fetching around these parts?" The reply was, "I don't rightly know, but down there, where those cattle are grazing, they're asking *a thousand dollars an acre*". *A thousand dollars an acre in California in the early 1870's!* Why, right *here* was the answer he was seeking. The land of California was, in truth, being enclosed, just as the land has been enclosed over the course of the centuries in Great Britain, to the point where the surfeit of rogues and vagabonds started to be transshipped as convicts to Australia in 1788. In 1889, A.B. 'Banjo' Paterson, a Sydney lawyer, who wrote the immortal ballad "Waltzing Matilda", the song of the landless itinerant worker, the ballad that has become and will always remain, Australia's unofficial national anthem, was constrained to write and publish a Political Pamphlet on the need for Land Reform.

In Europe, in America, in Australia, the enclosure of the land had proceeded relentlessly. Small wonder it is that in 1890, Henry George was received with great acclaim, both in the British Isles and in the Antipodes. This, then, was the background to Dr. Sun's studies in the British Museum in 1897. Given his own background, his acceptance of the moral imperatives of Georgism is no surprise.

At this point I must again revert to the matter of the inaccurate portrayal of George's analysis. The paper earlier referred to stated that "*He argued that poverty had resulted chiefly from the absorption of surplus wealth by rich landlords.*" This was *not* the thrust of George's argument at all. The real point was not that some people became "as rich as Paddy's pigs", but rather, that they were acting as "dogs in the manger". That is to say, the real point was *not* that some people, because they owned a lot of land, thereby became rich (although there is some element of truth in the argument). The *real* point was that the *enclosure* of otherwise available land through its speculative lockup, effectively prevented other people from making a living *at all!* It was as effective as the Clearance of the Scottish Highlands at the point of Irish bayonets!

The popular emphasis was thus for means of *unlocking* the land. The great *remedial* purpose of the "single tax" was to make it a costly thing to the landowner to hold on to land idle. The tax was to force him to divest, were he to under-utilize, so that others might have the chance to make a living. The history of Australia in the same period is also shot through with

that same political emphasis. So is that of New Zealand. The trouble within the "free" entrepreneurial societies was the *capitalization of land rentals into the hurdle of land price. There was the real enemy!*

When we look at the origins of the success story of modern Taiwan, we see that it had its roots in making land available to production—and therefore, of course to the satisfying of human needs. Chen Cheng, a central figure in the economic salvation of Taiwan, was influenced by Henry George through being himself a disciple of Dr. Sun Yat-sen, and was influential in "unlocking the land" in Taiwan through initiating the "soil to the tiller" programme. The land was sold to farmers on favourable terms, and thus they were able to prosper.

But we must break away from this seeming emphasis upon getting rich by scratching at the soil, for that image is the worst caricature of all. In *Progress and Poverty* George wrote:

"To see human beings in the most abject and hopeless condition, you must go, not to the unfenced prairies or bushland, nor to the log cabins of new clearings in the backwoods where man, single-handed, is commencing the struggle with nature and land is as yet worth nothing, *but to the great cities*, where the ownership of a little patch of ground is worth a fortune."

There is one great difficulty that I have found in portraying the social philosophy of Henry George, a difficulty that it is obvious to me that he himself found. That is, he had the task of viewing the immediate economic scene with all of its distortions and corruption and inequities, and in separating out the operations of the "normal" distributive economy from the abnormal. So far the exposition has dwelt upon the history of his observations upon the abnormal, and the "single tax" has been clothed in the garb of a fiscal policy specifically designed to prevent land monopoly. But this is the negative side, and I want now to get away from it. For it is only by so doing, and by emphasising the positive side to George's concept of *rent* arising along with social development that we can start to really appreciate just how profound this man's contribution to human happiness has the potential to be. I outlined this in my 1981 paper. It is worth repeating:

"Henry George perceived that in the cooperative phenomena of society,

there was a bonus, a dividend, that came to mankind by way of increased material and spiritual prosperity, and that elevated his way of life above that of the crudities of isolated existence. This bonus of production came from the economies in effort that the living organism of community, of Society, brought forth by virtue of the fact of its very existence. It was a bonus that revealed itself in the enhanced utility and desirability of land from location to location, dependent upon not only its 'on site' fertility but upon many other factors such as concentration of population, skills and culture. In economic terms, it was expressed in the *rent* of the land. He dwelt on the fundamental importance to Society of the concept of Economic Rent. He perceived that trade and cooperation meant social life and civilization, and that trade engendered Rent. He gave the example of the pioneer who settles on a boundless plain of fertile soil. Life for him is primitive; yet by dint of labour his living is guaranteed. Then along comes another pioneer, then others. Where do they settle? Why, on similar land, but close to the first. By their very act of human association, these people afford to each other, in countless unfolding ways, mutual services that yield enormous saving, *economies*, in effort. Thus human association endows land with a greater and greater role in productivity wherever that association occurs. This bonus from human association and cooperation attaches to the use (where it is *available* for use!) of land of superior location, and is termed "economic rent".

So George perceived that economic rent, expressed in the differential productivity of land as utilized by men from site to site, was the measure of that social saving in effort, that *economy*, which arises when men have access to utilize land, and when, in so . . . doing, they are able to utilize it to its greatest advantage. Thus the best situated land will always lie at a premium; and the rental that it will fetch, as determined by the free market, is the social value of effort saved in the course of production, and of extra amenities enjoyed; it is the index of the greatest economy, of greatest yield of satisfactions, that social organization can bring forth, of cooperation and harmony."

Mark that all this arose out of Henry George's insight into the answer which that teamster gave to his chance query back in San Francisco. To my mind it was a pretty good effort!

I have sought to synthesize the positive and negative aspects of Georgism in the following section. It is "potted", but it is by no means a caricature.

"Where people come together, they mutually improve the conditions for each others' livelihood. In so doing, they confer particular advantages upon the localities where they live and work. If these advantages can be

shared in, then each member of society can share in the improvements in livelihood. That, surely, is how things were meant to be!

However, because the location of land is thus made more desirable, competition in the market for land makes it *dearer*: its rental value goes up. As a result, it is uniquely the landowner who is in a position to skim off the value of the improved conditions in livelihood. This is the prime reason why the rich get richer and the poor get poorer. The rich are rent *appropriators*; the poor are rent *yielders*. That, basically, is why they *are* rich and they *are* poor. So, the greater the advances within society, the harder it becomes for most people to be able to share in them! This is the great paradox and injustice within society, the great cause for social unrest and violence. It can't be cured by artificial wage decrees.

Henry George solved the problem. The answer was to *socialize* the land rentals: as the community developed and its land thereby became more valuable, the increased rentals would be collected through the taxation system, so that everybody could share in the benefits. In fact, such a collection would really not be a *tax* at all: it would be a normal distributive share, along with wages and interest, of the proceeds from productive effort. It would be a community-generated, community-earned, social dividend—the “wages of Community”, the “common wealth of the Commonwealth”. It would be a virtual bonus, the public collection of which would not eat into the due private earnings of labour and capital.

But if land rentals were *not* socialized, then land would become increasingly valuable as a private investment for which large capital sums could be demanded. If the demands of land price, at often grossly speculative levels, were not met, then the land would be held out of use—and widespread unemployment of both labour and capital would result. And even if the land could be obtained, it would often be on terms so dear that the nett returns to both labour and capital would be poor.

Thus, depressions are actually born in the boom years when the price of land soars in an unbridled, speculative fashion away ahead of all other factors in the economy, to a point where real levels of production cannot possibly sustain it.

But since the land cost is always the first cost, people enter into unsound commitments because of the inordinate demands and expectations of *land price* for housing and industry alike.

The crunch finally comes when they can no longer meet mortgage and interest repayments *and* pay taxes *and* eat! So they have to stop eating, that is to say, they have to cut back on consumer spending and on plans for capital expansion. So retailers stop ordering. So manufacturers lay off employees. Not only the home market contracts, but so does international trade, and cries arise for “protection” as a most inappropriate response to the real problem. This is how Depressions snowball, in a cyclical fashion.

The take-home message of Georgism ought to be Good News for all of us – that *in the land rentals fund lies the source for the enrichment of us all – no poverty, no involuntary unemployment.* But a crash will always follow a boom, with hard times the rule, *no matter how high are general levels of skills and education, until* community revenue is drawn, not from taxes but from land rentals.”

I think that you can take that as a fairly definitive qualitative statement of the Georgist position in the 1980's. There is much more, of course, evidence of a statistical nature, argumentation bearing upon the different effects of land value taxation on the one hand and of indirect taxes on the other – how, for instance, a tax on economic rent is a tax on supramarginal surplus and does not raise the marginally-determined unit price of goods, whereas indirect taxes do so. There just simply isn't time nor space within the ambit of this present paper to go into such matters, although they have tremendous bearing upon the operation of modern economies and must be studied.

In particular, the element of land rentals and the continual tendency for them to be capitalized into land price, *must* be introduced into future econometric models. Models that ignore these factors are as unreal as “castles built in the air.”

It is largely unrealized just how large the potential of rent-for-revenue really is. A painstaking study has been made of this as it applies to Australia, by A.R. Hutchinson of the Georgist Land Values Research Group in Melbourne. (I would like to note in passing that Mr. Hutchinson had correspondence with General Chen Cheng in the nineteen sixties, and has in his possession a copy of the Land Laws of the Republic of China which General Chen personally sent to him.)

If net purchasing power was not eaten into by the whole range of taxes that bear specifically upon the earnings of labour and capital, then the *rentability* of Australian real estate in land, ie., the ability of people to perforce competitively proffer increased levels of rentals in the land market, would, it has been estimated, increase the totality of the rental value of land throughout the Commonwealth of Australia to something of the order of *sixty billions of dollars* annually. That statement is made in relation to a developed second-order country with a population of between fifteen and sixteen million people. As taxes came off, so the rentability-

value of land would rise: as the one moves out, the other moves in. That is something for economists to think about! Merely removing taxes on goods and earnings without adjusting land rental taxation will, in the long run, *not* benefit the earners and consumers, but the *landowners*!

The rent-potential for Society is equal to the sum of all current taxation

PLUS existing levels of land rental

PLUS rentals represented within the current capitalized price of land

PLUS royalties

PLUS the unrealized potential for rent that could arise if all land were to be utilized to its fullest potential

LESS rises in real returns on labour and capital when full bargaining power of these is established.

Now to get down to the nitty gritty of Sun Yat-sen and the modernization of China. It has repeatedly been assumed that taxing the *unearned increment* was a Georgist concept. This, of course, was what Dr. Sun Yat-sen set forth in *San Min Chu I* when expounding his Third Principle in 1924. The fact of the matter is that this was *not* George's programme at all. Although the spirit of Dr. Sun Yat-sen's ideas was essentially Georgist—that the earth is the birthright of all mankind—his practical policy was actually much more akin to that of John Stuart Mill. Mill advocated that when land was sold, the “unearned increment” revealed in the profit made from the sale of land over and above its original price, should, at least in part, be appropriated by the community. Why Dr. Sun settled for this, I do not know. Politics is the art of the possible, and George's social appropriation of economic rent was an idea much more drastically effective than muddled Marxism. It would be strenuously resisted—as indeed it was, the very idea of it, in Kwantung Province in 1912. I doubt if things have changed very much since then. Certainly the land reform argument was by far the hardest for Dr. Sun to get his comrades to take up with enthusiasm, as contrasted with the much more straightforward appeal of nationalism.

Nevertheless there is evidence that the “unearned increment” tax idea has not worked properly. Dr. Sun in his *San Min Chu I* series, warned that if we are to solve the land problem we must *do it now*. But in 1981, on the very morning after I gave my paper at the History Conference in Taipei, the editorial in the English language newspaper ran its leading article on

Taipei's Land Problem, and said:

"Intentions were good when the Taipei City Government ordered owners of vacant lots to put up buildings or sell the land to the city at less market value.

This country subscribes to the unearned increment theories of Dr Sun Yat-sen.

Real estate rises in value because of society's impact. No society, no value. Unless there is oil, who wants land in the middle of the Sahara?

So in Dr. Sun's way of thinking, the soaring value of land required by society should be taxed away for the benefit of society.

The theory is fine, but the implementation is difficult.....

In Taiwan, the land price has compelled us to build apartments rather than houses. In Taipei, most of the green belt has been turned to concrete and asphalt.

Probably it is too late to do anything much about the land situation in Taipei City. (my emphasis)"

This was a tragic echo of Dr. Sun Yat-sen's warning in 1924 in virtually identical terms. What has gone wrong?

It seem to me that Taiwan has come to share in the general malaise of entrepreneurial societies—in a malaise that not only is not merely a feature of backward countries, but is a malaise that intensifies as population grows in size and sophistication. The plain fact is that the profits that stem from the economic value of locational advantages in land have *not* been effectively socialized. The key question, the key criterion, is: *who gets the rent?* Although this value is socially generated and can be reasonably and rationally construed, within "distributional" economics, as the socially earned "wages of community" (correlative with wages and interest as natural shares in the outcome of productive effort) they have *not* yet been socially appropriated. As a result, being inevitably treated as private profit, they have become private property in their capitalized form of land *price*. Thus they take the guise of a "capital asset" like any other form of private property that can be bought and sold in the market. And, of course it is the conventional wisdom to treat them as such!

It is an erroneous concept to think of the *value* of land as being a static type of entity, upon which, for example, a one-off tax may be placed upon its sale. The better way is to think of it in dynamic terms. We have probably all seen the trick of balancing a ball on top of a jet of air or water.

It is the dynamic pressure associated with the continuous flow of the air or water that maintains the ball at the height. To translate the analogy, there is a continuous stream of production of goods and services within the community, the outcome of the dynamics of society. Part of that stream is *rent*, as we have already seen, and the *rental value* of land is sustained by it. It rises, like the ball, as the dynamic society increases, and it falls if the dynamics of society wither away. What I am saying is that the *rental value* of land is an ongoing value, that can be measured and collected by the week or the month or the year. The totality of the rental value of land titles throughout the country is the accurate measure of what the living organism of society within that country is *worth*. It is the sum that the country can rightfully call upon, from year to year, in the nation's Budget. It lies at the heart beat of the healthy, cooperative economy.

But in Taiwan, as in Japan and as in the West, the rental value of privately owned land, most acutely in the urban concentrations of population, has become frozen or congealed into the lump sum, static hurdle of land *Price*.

Land, as private property, has become worth a fortune, and you have, along with those other "free" economies, run into the typical problems associated with having to pay out huge sums in compensation to landowners when land has had to be resumed for community interest and advancement. The same burden applies to buying land for a house.

Moreover, every dollar that has to be sunk into the bottomless pit of land price is a dollar less that is available for spending on true capital investment in plant and equipment etc. Any country which can escape from that bondage will gain an enormous head start on the rest. In a Georgist economy where the land rentals would be channelled into public finance and where the increased costs imposed by taxation upon labour, capital and products would be avoided, that happy situation would exist. No one would make anything much out of 'capitalized' appreciation in the price of land – *and that's precisely the goal that Dr. Sun Yat-sen was seeking.*

Thus *if* the rental value of land were to be assessed in relation to every title, every two years at the longest, and *if* the full market rental values, so assessed, were to be made a charge against the privilege of private ownership of title – of that ownership and occupancy whereby the benefits that flow from community presence and expansion of infrastructure are enjoyed –

then the phenomenon of astronomic increases in the burden and hurdle of land price would not occur, and huge sums of compensation would not be required at the expense of the whole community. Let me hasten to repeat that the cataloguing of this history of events is not a criticism of Taiwan in particular. What I am asking you to do, with respect, is to recognize, within your own local situation, a problem that has plagued *all* of the Western — type entrepreneurial economies without exception. The failure of that 1912 attempt to “get it right” in Kwangtung Province really is rather a pity!

Now it was about this very situation that George wrote, with the urgency of a prophet, an hundred and more years ago, and I do not accept the discounting of him that was expressed. The significance of him writing in California was *not* that he was writing about California. Verily, the significance was that he was witnessing, in California, compressed into a few short decades, a process that had insidiously developed in the “old” countries of the West — and, indeed, in the Eastern States of America — over the course of centuries. The tribute to his intellect and perception by Professor John Dewey was well deserved. And the tribute to him as one of the great thinkers in the course of world history is all the more noteworthy in that, unlike Marx, he was able to go behind the obvious manifestations of injustice and to perceive that there was an essential harmony ordained in the relationships between mankind, a harmony of which the rent of the land was the ultimate expression; that there was *not* an intrinsic conflict between Labour and Capital — a fact to which Dr. Sun Yat-sen bore eloquent witness in *San Min Chu I* where he said:

“Modern economic progress is caused by the harmony, not the conflict, of the economic interests of society. Why is there such harmony? Because all men must live, and face the everlasting problem of livelihood. They either perish through conflict or live through cooperation”.

All of that quotation, every word of it, is enshrined in the social philosophy that underlies those two simplistic words, “Single Tax.”

I have referred to George’s observations upon the economic effects of growth in concentration in the big cities. But what of the rural scene? So I understand, there is here in Taiwan a decrease in rural population going hand in hand with increase in the size of amalgamated rural holdings. What is happening to the vision of the “equalization of land rights”? Are you

developing aggregated rural landholdings in which the smallholder no longer shares, and are you progressively developing an urban "proletariat", albeit an educated one, but consisting nevertheless of millions of people who themselves have no stake in the immense profits that flow commercially from the locational advantages generated in the growth of urban complexes? Are you a "mini Japan" in this regard?

I would at this point like to re-express the terminology of "equalization of land rights" as "equalization of equity in the economic benefits of socially-generated locational advantages." I distinguish, as a Georgist *must*, between the ownership of *capital* – by which I mean such items as plant and equipment – and the ownership of *land* – by which I mean the locations that labour and capital must utilize.

The writer of the 1981 paper made the error of remarking that George was wrong, amongst other reasons, because land was only *one* form of "wealth". It is necessary to make it crystal clear that George *never* regarded land as wealth. He was also at great pains to equally importantly distinguish it from capital – a point that I made at that time in my own paper. It was a distinction that led him away from Marxist error – error that promotes antagonism between labour and capital. In this he took Dr. Sun Yat-sen with him; and, as Professor Schiffrin remarked, Dr. Sun was inoculated from ever becoming a communist in the Marxist flavour of the term. The importance of *land*, apart from being a physical substance, was that it was *the source for the profits from locational advantages*, advantages that increased the productivity of labour and capital, and, moreover, increased it by many thousandfold in the cities through enabling labour and capital to be applied in more concentrated and efficient fashion. George was, if anything, 'the economist of the cities', the economist of the expansion of civilization, yet at the same time, the prophet against its corruption. To make the further point, George defined *wealth* as the product of (1) labour and (2) capital applied to (3) raw materials upon (4) locations of varying advantage. Wealth has "value-in-exchange," expressed in "price" in the market place. But then, so does the privilege of the monopoly involved in the possession of land to the exclusion of all others, and of the ability, thereby, to hold out for a ransom *price* upon the sale of land lying at any sort of a premium in its location. When goods and services, ie., produced wealth, are sold, their value is expressed in monetary terms. But so does the value of

privately held land titles find similar expression. Thus the one can exchange for the other. A person may sell a block of land at a profit and buy a new Toyota! In other words, the value of a privilege can exchange for the value of a product, an item of wealth. The distinction is vitally important. The value of products, ie., wealth, can arise only by the rendering of service through supplying the market healthily from productive effort; the value of a privilege comes from holding the whole community, ie., the productive energies of labour and capital, to ransom. Both forms of activity that thus command *value-in-exchange* in the market, are expressed in monetary terms that accountants do not regard it as their function to distinguish between. Should the blame for this be sheeted home to schools of Economics? In practical terms, the land speculator or the entrepreneur whose main source of profit comes not from the *marginal* returns which market competition allows to the true capital invested in his business, but from the strategic edge which the location of his business yields to him in relation to markets, becomes "wealthy." Hence it is understandable why land has become 'per se' to be regarded as "wealth"; and I trust that it is now understandable why I have felt it incumbent upon me to spell the reason out. But there is simply no way that Henry George's seminal and by no means simplistic contribution to economic thought can ever be understood without that clear understanding which comes from the strict definition of terms and from the clear comprehension of concepts. George defies the hegemony of conventional wisdom. That is why he stands conventional ideas on taxation policy on their head: they are then the right way up! In Georgist wisdom, people should be taxed, not upon what they, by their individual effort, contribute to the nation, but upon what the nation is contributing to them!

Once people "see the cat" in the picture that George painted, they will never again fail to perceive its outline upon the canvas.

I have referred repeatedly in this paper to the question of population growth. Let me paint a further very acute scenario:

Let us suppose that, in the course of the next ten years, several million residents of Hong Kong vote with their feet and migrate to Taiwan. Bringing with them their accumulated skills, where will they go? If they go to the major cities, what will be the effect upon land rentals in those cities? Who will reap the economic benefits of that population increase? Now do you

start to see the real significance of what Henry George was writing about when he witnessed the surge of population in California? There will be in your cities a more *intensive* use of land. But there will also be a more *extensive* occupancy of land, for obviously all of those people in that projected increase are not going to be accommodated on the Western coastal plain. So where, indeed, will they go? Will there be a considerable increase of population in your mountainous areas such that land that was previously marginal or relatively uninhabited will be endowed with fresh utility and increased value? What pressures will become placed upon your aboriginal reserves?

By George's definition, the *Rent* factor would have increased, for the economic "margin" of civilization would have spread outwards, whilst at the same time, and more importantly, the pressure of utilization of your best land would have intensified. Will there be social equalization in the ownership and enjoyment of that rent factor? Or will the enormous speculation in land that has characterized the economy of Hong Kong, with its potential for great fortunes and great crashes, take place?

It need not happen at all, because Taiwan of the 1980's is a far cry from the disorganized Kwantung Province of 1912. Today, the Republic of China has an orderly administration in which efficient cadastral surveys are no problem, in which techniques of land valuation are sophisticated, and in which the introduction of land rental taxation as an annual levy could easily apply - not at all dependent upon capricious windfalls from land sales if and when they occur, as implied in the old, limited, "unearned increment" theory. What I am saying is that if the progressive growth in the site rental value, value of land, is socialized, then the flow of migrants into Taiwan could cause only enrichment to the nation - rather than the poverty from involuntary unemployment that would arise if the real estate of Taiwan were to be effectively locked up and therefore locked out, not only against the newcomers but against the rising indigenous generation of young people who could then regard migrants with fear and hostility. *This is the lesson of George's California.*

In *The Condition of Labour*, a volume written by Henry George subsequent to *Progress and Poverty*, there are two very significant paragraphs that relate to this immediate discussion:

A. The Good News:

"Here is a natural law by which, as society advances, the one thing that increases in value is land – a natural law by virtue of which all growth of population, all advance of the arts, all general improvements of whatever kind, add to a rent fund that both the commands of justice and the dictates of expediency prompt us to take for the common uses of society. Now, since increase in the rent fund available for the common uses of society is increase in the gain that goes equally to each member of society, it is clear that *the law by which land values increase with social advance*, while the value of the products of labour do not increase, *tends*, with the advance of civilization, *to make the share that goes equally to each member of society more and more important* as compared with what goes to him from his individual earnings, and thus to make the advance of civilization lessen relatively the differences that, in a ruder state of society, must exist between the strong and the weak, the fortunate and the unfortunate."

The inference is that with expansion of the economy, such as by migration, the funds available to the State from this rent factor increase not only in *absolute* terms as a part of that expansion, but more than that, they increase as a *relative* share of it. We shall return to this in a moment, but might note even now, that the increased rent fund will be available, in the natural course of distributional economics, to underwrite the expansion in infrastructure that the increased population will call for – without need to recourse to arbitrary taxation, tolls, inflated consumer charges, and the like.

B. The Bad News:

"The wages of special classes, who are fenced off from the pressure of competition by peculiar knowledge, skill, or causes, may remain above the ordinary level. Thus, where the ability to read and write is rare, its possession enables a man to obtain higher wages than the ordinary labourer. But as the diffusion of education makes the ability to read and write general, this advantage is lost. As the progress of invention dispenses with peculiar skill, or artificial restrictions are broken down, these wages sink to the ordinary level. And so, it is only just so long as they are *special* that such qualities as industry, prudence and thrift, can enable the ordinary labourer to maintain a condition above that which gives a mere living. Where they become general, the law of competition must reduce the earnings or savings of such qualities to the general level – which, *under those conditions where land is monopolized and labour is helpless*, can be only that at which the next lowest point is the cessation of life."

There is a very important inference to be drawn from this in relation to the furtherance of education and the competitiveness of the education

system in relation to the attainment of employment. There is a subtle form of unemployment which can result if the qualifications demanded for employment are appreciably higher than the requirements of the employment actually dictate. This is the type of relative under-employment seen when college or university graduates can find only lesser skilled jobs open to them. But *their* higher level of education puts them ahead, even for these menial tasks, of those whose educational standards are less, even though adequate to the task in hand.

If *everyone* became a college graduate, would the general level of wages rise? The answer is *no*. But employers would have a better pool of prospects to draw upon for the wages offered. That levels of education should rise is, of course, in itself a desirable thing, and would certainly diversify skills and demands. The point I make is that, for labour and capital alike, force of competition constantly drives their rewards towards the marginal baseline. And any rise in that baseline, if George is correct, would *not* be commensurate with rise in productivity, because the rise in the rent factor will, as a rule, always be relatively greater. There is always a shifting equilibrium in the shares that can be commanded by the providers of labour and capital and the owners of locational advantage, the *rentability* of land, ie., the rental that the land element can command, is subject to the effective takes by other counter-vailing monopolies, taxation, labour laws, and so forth. Some income earners can, as in Australia, through power of trades unions, maintain their jobs and even increase their wages through strikes and other measures, but usually at the expense of others obtaining a job at all. Hence, overall real wages do not rise throughout the community: it is "patchy."

A further important point to make is that the owner of capital is very often the owner of the land as well. Hence, his overall profit lies not only in return on capital by way of interest, but in the bonus from locational advantage. The ability to thus amass what are then, in accounting, treated, without further analysis, as "capital" funds, gives the employer an advantage over employees when it comes to wage bargaining. The strife to which industrial relationships are so often subjected stems, yet again, from *unequalization* in land rights! *Capital is not the enemy!*

Thus, wages, particularly for the relatively less skilled workers, will *not* rise, precisely because the profits from locational advantage, capable of

being capitalized into increased land *price, will*.

This must surely put a dampener on the enthusiasm and loyalty of employees, inject a frenetic flavour into the competitiveness of educational achievement, and instil a general cynicism amongst the rising generation as to "what's the point to it all?" Enter the drug problem!

Of course, under political pressure, governments must react to these dilemmas. The rise of trades unionism—itsself rooted in restriction of the prospects for those who lie outside it—protectionism, tight control of monetary policy and various other artificial controls, all appear over the horizon.

The mere wage worker in a competitive market, if unshielded in some such artificial manner, has little or no bargaining power. But none of these devices is the appropriate answer in the long term. To repeat, it is those who profit from privatization of the ever-growing rent factor who are in a position to exact a further "pseudo" rental that detracts from the nett wages that they are required to offer in the higgles of the labour market.

The socialization of land rentals removes this one-sided bias, particularly as it enforces the utilization of valuable real estate in land to its full economic potential. Land that becomes more cheaply available enables more people to enter the competitive field with less capital outlay and indebtedness, and so opens the way to a spread of ownership of industry. The base level for wages will then rise, *not* because "labour" will have had a victory over "capital", but because both labour and capital will have been able to establish an equitable equilibrium in relation to the successful "equalization of land rights".

Under these conditions, all of the education ploughed into skills and technology and culture and the arts and administration make *common* sense, because all will share in the benefits accruing to the national livelihood that their extra industry and expertise promote.

This is my interpretation of what Dr. Sun Yat-sen meant when he said that the *Min Sheng* principle was "communism."

It is relevant at this point to observe that a major economic factor operating to the advantage of the regime on the mainland is that the people are not subjected to the ravages of the demands of land price. I need to be, and intend to be, circumspect in what I say, without indulging in wild statements. There is no question at all that conditions for livelihood both in

working and in living are incomparably better for the people of the Republic of China on Taiwan than they are on the mainland where whole families share one room and dozens of people share other domestic facilities. But again, we are looking at a dynamic state of change. I am strictly discussing the role of land *price*, and I am doing so from the viewpoint of a citizen of a country that is comparable with Taiwan both in population and in stage of development—although, believe you me, Australia could well be slipping back. But insofar as the economic forces that operate in the two economies are not so very different from each other, in looking at the difficulties in Australia at the present time and in following events in the *Far Eastern Economic Review*, etc., it seems to me that knowledge of our own difficulties may give me some insight into some of your own. On the question of land *price* I thus infer: In contrast to Taiwan and the other entrepreneurial economies where the land-owners can sell land for considerable sums of money, the burden and obstruction of land *price* and the inevitable expenditure of public funds on compensation, or, for that matter, the burdens of mortgage indebtedness involved in the acquiring of real estate as to its location factor, which is the fate of so many millions of people the world over, is *not* a problem in mainland China. It is intriguing to note that, after a fashion, the Georgist modality is being applied, at least rurally. That is to say, if peasant farmers meet their due production quotas for the State, then they are free, over and above those quotas, to supply the free markets. As a result, a lot of them are working as cheerfully in their own interests, one hears, as one also learns the farmers did in Taiwan in the 1950's and 1960's under the successful "soil to the tiller" programme. That is to say, one can construe the required State quotas as being the equivalent to payment of a land rental—the profits above which belong to the farmers themselves. Again, in the rural setting, that is not a bad approximation to the spirit of Georgism. And it appears to be working—which is a point in favour of Georgist theory. So far, so good. But what of the mainland's urban proletariat who still are virtually landless? And what of the great differences in the natural utility of land between different provinces within the P.R.C.? Peasants in some regions will make their relative fortunes. Others, in inferior areas, will work just as hard, or harder, for much smaller returns. Would you prefer to be a farmer in Kwantung Province or in Tibet? I prophesy that, in the fulness of time, these great differences stemming

directly from *inequality* in land rights and land-determined opportunities, are going to cause much economic and therefore political dissatisfaction, dissension and upheaval. The *rent factor* raises its head in Communist China--and in Russia, for that matter (who would live in Siberia if they could live on the shores of the Black Sea?) The problem of the Marxists is that they have no appreciation of the operation of the Rent Factor. It is as much an entrenched phenomenon in the affairs of human relationships as are any of the laws of the physical sciences. The political shortcomings of mainland China apart, *if* they progressively give free entrepreneurial enterprise its opportunity--with Chinese pragmatism--and *if* at the same time they latch on to the significance of the Rent Factor and apply it in a scientific manner, then the rest of the world had better watch out!

The inference, or one of the inferences that can be drawn from this, is, that Dr. Sun Yat-sen's "equalization of land rights" is a key factor in the ultimate reunification of China, whensoever that may be. But it has got to be in the practical terms of the socialization of the locational rent of land in an ongoing fashion. I would love to live long enough to see it happen.

It won't happen overnight on the mainland. I wouldn't presume to see it happen overnight in Taiwan. But there are two very practical ways in which a start could be made to put the correctness of land rental taxation as a major ingredient in public finance, to the test.

The first would be to raise all municipal finances from an annual rate or levy, *pro rata*, on the assessed site value of every land title throughout the country. This requires, of course, that such valuations shall be accurate and kept up to date. This system for municipal finance has, as a matter of record, operated throughout most of Australia since early in the century. Its introduction was very much the outcome of the background Georgist influences.

The second would be to set up a National Development Fund, and to consolidate into that Fund the capital accounts of all of the public utilities--roads, railways, electricity reticulations. This Fund would be financed, in exactly the same way as municipal finances, by an annual levy *pro rata* on the assessed rental value of every title to land held in Taiwan. The sum so raised, running into billions of dollars annually, should be construed as being a distributive share of the Gross National Product of the country, that

share which constitutes the "natural wages" of the community which, by *its* very presence as the living organism of people cooperating by *their* very presence, increases the utility of land and therefore the productivity of applied labour and capital. Wherever people come together and their funds are wisely spent and their activities are prudent socially, there, the value of land goes up. And so, in this practical application of Henry George, whose essential disciple in spirit Dr. Sun Yat-sen truly was, the people of Taiwan, giving expression to that orderly state of society which is enshrined within the teachings of Confucius, may take to themselves, for their mutual common benefit, the "common wealth" of the Great Commonwealth. George's concept of the so-called "single tax", is designed to flourish within the context of orderly and peaceful society. It is, indeed, part of the means of realizing that society.

The spirit of this concept could be symbolized in the abolition of the toll gates on the Sun Yat-sen Freeway. This impressive addition to the environmental infrastructure of Taiwan has facilitated both industry and the livelihood of the people from one end of the island to the other. It has enormously increased efficiency in production and has thus generated that bonus of "rent factor" which will have long since been expressed in the increased rentability of land from Keelung to Kaohsiung. That sustained rental flow should, in Georgist terms, easily meet the costs associated with the provision and maintenance of the Freeway. The abolition of the toll gates could, I say, be an act symbolic of a free people enriched by a free economy.

It is fitting to finish with a quotation from Professor Oscar Geiger's volume on *The Philosophy of Henry George*:

MORE THAN A FISCAL REFORM

"... In a real sense George's 'single tax' is not a tax at all. A tax definitely connotes some levy, characteristically of an arbitrary and opportunistic nature, that government is forced to make upon the productive powers of industry in order to support itself. Taxation implies a process of self-mutilation . . . a necessary evil. The idea of George, however, was clearly to remove from society the onus that taxation of any kind imposes; it was an attempt to make automatic and self-operative the process of defraying social expenditures. Economic rent was to be directed into public instead of private repositories, and was to be employed in meeting public needs instead of

swelling private gains. There was essentially no taxation involved here, that is, no taxation in terms of governmental interference. Instead, there was to be simply a direct flow of revenue from the social source of land value to that agency which was responsible for the financing of social needs."

"It is true that such an agency would be, largely, our present form of government, and also that the flow of revenue would be through the existing channels of taxation; the technical functioning of George's proposal would obviously be by means of a taxation system. But it seems definite that there is a clear distinction between a 'single tax' in the light of George's interpretation, and a 'single tax' which might be tested solely as a variety of our present tax species. The former is a tax simply in structure: its essence and function, however, are something quite different from simply an improvised system of taxation, and it must not be judged solely by criteria which are limited to those of a fiscal nature. George's vision was rather, 'not a society single-taxed, but a society free from all taxes of any sort.' The point that is being made here is that the proposal to socialize rent definitely transcends the taxation dimension. . . ."

"What is the law of human progress? That law George locates in the phenomenon of association, of social gregariousness. . . . That phenomenon of association creates a communal value which is in no way dependent upon individual efforts. Such communal value is directly and accurately expressed in the economic concept of rent. Land value is association value. It is a value that swells as association becomes more organized, and collapses as that social organization disappears or loses its efficiency. In a literal sense, then, land value is the economic measure of human progress. For George, it is the attendant of association, and association is the foundation of progress, and rent is not merely one of the channels in the distribution of wealth: it is not a rationalization of an economic state, and it is more than the formula of an economic process. Rent, finally, for George, is the exchange rate of man's development. . . ."

"This, then, is an approach to the socialization of land rent by which George soars beyond the categories of economics into the very dimension of the rise and fall of civilization."

"Land, however, has been privately owned in all our civilizations. Thus, the value that has been created by the press of men coming together has been gathered by the fortunate few into whose hands, in the course of history, the earth has passed. A social product has become an individual gain. Here, then, is the source of that inequality which, for George, has been the brake upon all cultures. The reason why the natural progress of civilization reaches a climax, decays, and finally collapses, can be traced to the inequality that results from the passing of community value into the sphere of private property. . . ."

-From "The Philosophy of Henry George," by Prof. G. R. Geiger.

“ Finally we may remind ourselves that any reappraisal of George, whenever made, must end as it must begin, in reverent regard for the one quality which most conspicuously sets him off against the background of the society he lived in – the quality of simple human goodness. He was one of the greatest of philosophers, and the spontaneous concurring voice of all his contemporaries acclaimed him as one of the best of men. Erasmus made it a mark of true Christians that they should be so blameless as to force infidels to speak well of them, and this George was. In the midst of an evil and perverse generation he walked worthily; in a welter of the worst passions and the meanest prejudices he remained innocent, sincere, steadfast. He is with Marcus Aurelius as ‘one of those consoling and hope-inspiring marks which stand forever to remind our weak and easily-discouraged race how high human goodness and perseverance have once been carried, and may be carried again.’ In time to come, the elite of mankind shall say, ‘It was a society which did only what was right in its own eyes. Its works and ways bore only the mark of Rimmon upon them; the people took up the tabernacle of Moloch and Chiun, their images; they followed the star of their god Remphan. Yet there were some who were incorruptible, who walked not after strange gods, their eye was single; and one of them was called Henry George.’ „

— from An Essay, *Henry George*, Copyright – 1939, By Albert Jay Nock.

Professor Martin Wilbur described Dr. Sun Yat-sen as a “frustrated patriot”. Professor Harold Schiffrin has remarked that his greatest talent was for failure. I find those remarks about this great soul infinitely sad. In doing my own research into the life of the young Sun Yat-sen in his critical formative years of adolescence, I had reason to come to the realization that his contacts with Christian mentors such as those who schooled him at Iolani College in Honolulu and later in Hong Kong, gave him a cultural knowledge that embraced the Old Testament of the Bible with its accounts of the history of the Hebrew people. In the book of Exodus he undoubtedly read the story of Moses who was called of God to lead the Hebrew people out of the slavery of 400 years of bondage under the Pharaohs of Egypt. I believe that it was with such thoughts stirring within him that he broke the arm off the idol in his native village upon his return from Iolani College in Hawaii, with his precious school prizes and his own copy of the Judaeo-Christian scriptures. He saw himself, in those stirrings of soul, as another Moses who was to lead his people out of their bondage of ignorance and backwardness, throwing off the yoke of the Manchus. To this he dedicated his life with a faith that lasted him all his days, despite failure after failure and disappointment after disappointment. Yet he never gave up, for the prize was the salvation of his country.

Using still the metaphor from the Hebrew scriptures: It was not given to Dr. Sun to enter the Promised Land in his own lifetime, just as it was not given to Moses. What was given to them was to travel in faith. To us who remain is given the challenge, the task, of sharing his vision, not only for China, but for the whole world—not the least for Central America—and to dedicate our lives, not merely to venerating him, but to turning the frustrations in his lifetime to fruition in our own.

POSTSCRIPT

Why, in his practical proposals for a land tax, did Sun Yat Sen follow John Stuart Mill, rather than Henry George?

In the body of my paper I indicated that I did not know the answer to this question. Since then, I have had opportunity to read the extremely informative paper by Professor Gottfried Kindermann on the subject of the German influences upon Sun Yat Sen, and therein have found that answer.

It is well said that an ounce of experience is worth a ton of theory, and it is now clear that as early as 1905 Sun Yat Sen became aware of the land tax practice already established by that time in the German Concession in Kiachow. It may well be, therefore, that this first impression decided the basic format for his own land tax ideas finally spelt out in SAN MIN CHU I nearly twenty years later. The role of Henry George and of John Stuart Mill so it might now seem, was that of a background, general philosophical influence that had already raised Sun Yat Sen's "state of consciousness" on the land question. John Stuart Mill's proposal for the taxation of future unearned increment (these days called a "capital gains tax") seems to have been much closer to the German precept and practice – and therefore more influential upon him in the immediate situation – than was the as yet untried one of George, whose specific proposal was that there should be an annual tax upon the value of land; and Professor Schiffrin has long since pointed out this much closer practical affinity of Sun Yat Sen with Mill rather than with George – despite the fact that George's PROGRESS AND POVERTY was to Sun Yat Sen something of an economic bible.

It is important to note that in George's own time, he was still confined to theory. Nowhere within his own lifetime had his concepts been translated ^{nationally} into effective legislation (although Sir George Grey when Prime Minister of New Zealand had made such an attempt in 1878.) So, like everyone else in those years of fermenting thought, Sun Yat Sen was feeling his way. It behoves us not to be too critical, for in 1985 we have the great benefit of the wisdom and knowledge of hindsight.

Indeed, it is a matter of history that land value taxation in the form of an annual tax on the Georgist model (albeit distorted by graduations and exemptions) was introduced in Australia in 1910 in the form of the Commonwealth Land Tax, with the deliberate intention of "unlocking the land" and "breaking up the big estates." Even more significantly, around the ~~1890-1895~~ period, municipal revenue-raising in the form of an annual tax or rate on the unimproved value of land was adopted in the States of New South Wales and Queensland, and was an almost purist application of the Georgist approach – as contrasted with that of Mill in theory and of the Germans in actual practice in Kiachow.

It seems that Sun Yat Sen had no knowledge of the practical Australian experience which was already operative when he himself went to Kiachow in 1912, and which would thus have been operating for well over a decade prior to the compilation of SAN MIN CHU I. Had Sun Yat Sen been aware of this alternative experience, or better still, had he had opportunity to visit the Antipodes in person, his final practical proposals may well have been different.

However, I must place on record my belief that on one fundamental issue, both Sun Yat Sen and George were wrong!

Both took for granted that the tax baseline would be the market selling price of land, or land "value".

Sun Yat Sen proposed an incremental tax on this value. Henry George proposed an annual tax upon it.

However, in terms of my 1985 update of Georgist theory, I have tried to portray that what George really set out to establish was the reality of the socially-generated RENT factor, and to show that the practical expression of this was the income stream identified monetarily in the annual rental value of land as a normal distributive part of the healthy economy, correlative with wages and interest. I have sought to show that the correct fiscal measure is to divert this stream, as a distributive share of Gross National Income, into the public purse, by means of an annual tax or levy on the assessed rental value of land. This is the primary, dynamic form of land value, and it is this form of land "value" which should be defined and enshrined in legislation.

It is only when, through lack of adequate tax legislation, land rentals flow into private pockets (often concealed within gross profits) and take the guise of being a dividend on a private investment, that they appear in the secondary, static, "capitalized" form of land price - which then takes on the paradoxical and antisocial role of being a hurdle to further economic activity.

Thus land "value" in this secondary, derived form is actually an expression of social PATHOLOGY! It is both ironical and paradoxical that although Henry George worked out his beautiful exposition of the operation of the normal, healthy economy, he nevertheless, in the final event, expressed his practical proposal in terms of a land "value" base that was "pathological", i.e., in terms of the market selling price that can be demanded for land by its owners. By doing so, he blunted the impact of his own message, and entrenched the very yardstick of the conventional wisdom that he sought to destroy. For what is the conventional wisdom? GETTING RICH FROM INVESTMENT IN PRIVATE PROPERTY IN THE "SELLING PRICE" VALUE OF LAND.

The Germans in Kiachow, John Stuart Mill and Sun Yat Sen all fell into the same error, not realizing that this capitalized form of land value was NOT its primary, normative expression. They fell into the error of taking for granted that high lump sums of land "value" WOULD arise - and they then proposed to put a tax upon this unhealthy manifestation as a compensating mechanism in order to achieve "equalization".

So, in turn, this concept for the "equalization of land rights" is also unsoundly based - even though endorsed with the best of intentions!

If the spirit of what Sun Yat Sen was aiming at in SAN MIN CHU I is to ever be fulfilled, then the take-home message in 1985 is that we MUST think of the flow of land value (land rentals) in the dynamic terms of that share of Gross National Income which constitutes the "wages of community". It is ongoing, never ending, ever sustaining the community.

There is a spectrum of opinion within Georgist circles that had Henry George himself not veered off target in this matter - and, for decades, many of his followers likewise - then the practical emphasis in the difference between his proposal and that of John Stuart Mill would have been much more evident, both to Sun Yat Sen and to posterity.

What is more to the point, the land tax legislation in Taiwan might have been much more expressive as the primary source for the nation's enrichment. For the rental value of the lands of a nation is the accurate measure of what that nation, as a living community, is worth.