The Ethics of Land Reform: A Trialogue Between Adam Smith, Karl Marx, and Henry George

by

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If our basic adjustment to Nature -- our land tenure system -- is wrong, the bad effects will reverberate throughout our whole economic system.

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INTRODUCTION

Much lip service has been devoted to land reform in recent times. Even the most insensitive can see the injustice of a land tenure system whereby millions of desperately poor third-world peasants give up a third or more of what they produce in annual rent to wealthy landowners. The unequal distribution of landownership in developing countries is common knowledge and many people profess to be outraged by it. They are quick to criticize El Salvador, for example, where 13 percent of the farmers own 80 percent of the land (Stat. Abs. of Latin America, 1984, pp. 56-57), but for some reason they are oblivious to the fact that in the United States, 3 percent of the population owns 95 percent of the privately-held land area (Gene Wunderlich, 1978 U.S. Dept. of Agriculture survey). No doubt it is easier to advocate land reform in someone else's country rather than in one's own.

So much lip service -- yet so little is actually done, no doubt because the land reform most usually advocated costs too much. Generally it is proposed that the government buy the land of the large landowners and redistribute it to the landless. Well, that's a very expensive proposition. The taxpayers of the country -- poor people mostly -- are heavily burdened and it often happens that the new landowners, working plots too small to be efficient, can't produce as much food as under the old system. Thus, little real land reform occurs, although the lip service continues undiminished. The communists, meanwhile, espouse a simple land reform program: "Kill the landowners, give the land

to the landless." Alas, few of the latter suspect that their land will be confiscated into state-owned collectives as soon as the communists consolidate their power.

This paper will propose a new type of land reform -- new perhaps to most of the readers but not to the literally hundreds of well-known statesmen, philosophers, and economists who have endorsed it. Its chief proponent has been Henry George (1839-1897), author of Progress and Poverty (1879). Of Henry George, the philosopher John Dewey has said:

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

Wrote Albert Einstein:

> Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form and fervent love of justice.

Dwight D. Eisenhower voted for George for the Hall of Fame in 1954. For literally hundreds of other endorsements see Chapter Nine in my book Catalyst! and the more recent issues of the bulletin Incentive Taxation.

Henry George was born in Philadelphia (413 S. 10th St.) on September 2, 1839 into a religious family with middle-class aspirations but of means less than ample. At age fourteen, feeling constrained by the rigid school curriculum of his day, he took ship as a cabin boy on a schooner bound for India. Five years later he was searching for gold in California, but failing at this he eventually became a typesetter for various San Francisco and Sacramento newspapers.

The assassination of Lincoln moved him to slip a fiery anonymous editorial into the in-box of his paper's editor, who, recognizing an elevated style, promptly had it printed. Soon the identity of the author was discovered and George, at age twenty-six, was launched on his career as a journalist.

But financial security for George was hard to come by, what with a wife and four children to support. George's willfullness resulted in frequent changes of employment (although interestingly, when fame eventually came his way this trait was reversed and he became kindly and approachable).

In 1868 he was sent to New York City by a group of California newspapers to set up a telegraph news service in competition with the Associated Press (AP). But the AP refused his petition and he decided to set up his own independent news service for his California newspapers. Western Union, however, at the request of AP, refused to transmit his messages. He was foiled by a monopoly.

While walking the streets of New York, he came face to face with appalling poverty. There arose within him an overwhelming desire to seek out the causes of poverty and the remedy thereof. Ever since he had left school, he had been a voracious and somewhat eclectic reader, but now he concentrated his reading in the field of political economy. Business successes and reverses dogged his footsteps in the depression-ridden 1870s but, suffice it to say, by 1879 he had finished his masterwork Progress and Poverty. At first it fell upon the marketplace with a thud, but its sales started to pick up after George came east to New York, where he made his home for the rest of his life. He proceeded to

write articles relating his book and thesis to the Irish land agitation just then commanding the headlines. Soon George was the intellectual man-of-the-hour in this country and abroad. He gave lectures, wrote articles and books, traveled widely, ran for mayor of New York in 1886 in a widely popularized campaign, and nearly won the office, winning more votes than Theodore Roosevelt, the Republican candidate. (On his deathbed many years later Richard Croker, boss of Tammany Hall, admitted that George was counted out of the polls, cheated of victory by the Tammany men in charge of counting the ballots.) George's phenomenal popularity was indicated by the public funeral accorded him upon his death in 1897, the largest since Lincoln's.

His impact upon historical events has been more than is generally realized. He helped convince Americans of his generation, and particularly the Progressive Era generation which followed, that poverty is the fruit of injustice. His land reform proposal has been introduced on a partial basis in many places in the world, more so abroad than in his native land. And there is a small but dedicated band of followers working ceaselessly in behalf of his ideas. If his land reform is as valid as many experts believe, then we ignore it at our own peril.

After his death his fame went into decline until in our time his name brings forth only vague stirrings of recognition for the average person. In part this is because his classical economic analysis (as contrasted to his proposal) runs counter to the prevailing trend of thought. And while there have been many

endorsements of his land reform proposal by leading experts, these experts have not taken their case to those who can get it enacted into law -- i.e., local city officials. They made their endorsements and then busied themselves with other reforms more pressing in the short run, but perhaps more superficial in their long-run impact. In any case, you, dear reader, should judge the merits of George's land reform proposal for yourself. Only the faint-hearted and the insecure will pass him by because the average person in the street knows him not.

This paper puts forward the ethical arguments George advanced for his particular land reform ideas. The economic arguments for it are only briefly stated (they are more extensively dealt with in the aforementioned Catalyst! and Incentive Taxation, which the reader is invited to obtain upon written request). After all, if George's land reform is ethically correct and if our current land arrangements are unethical and unjust, as will be herein after maintained, then the reader will feel a call to action quite irrespective of the economic impact. But if his land reform is ethical, is it not likely to provide practical economic benefits as well? Can it possibly be impractical to be ethical? In any case, if we should do something, then we should start doing it and full speed ahead at that.

In order to liven the presentation, a trialogue form has been adopted. Imagine, if you will, an ethereal parlor, dimly lit no doubt, rows of leather books on shelves in the background, heavy Victorian furniture in the foreground, and three men seated in conversation -- Henry George, to his left Karl Marx, and to

his right Adam Smith. Only the blindly materialistic will concern themselves with how these three men, now all dead, could possibly meet together; let us rather leave to the parapsychologists and theologians the task of explaning how such an event could take place.

Adam Smith (1723-1790) needs little introduction. He was among the first to expound and extol the workings of modern capitalism and he has become the symbol for it. His masterwork is Wealth of Nations (1776) and his comments will represent the current viewpoint in most of the world today.

Karl Marx (1808-1883) also needs little introduction. He is the chief proponent of modern-day socialism and will represent that viewpoint in the trialogue which follows. Little known in his own time, his fame has been spread not only by the military successes of Lenin and Stalin but also by the pervasive sense of dissatisfaction, vague and misdirected though it may be, with current economic arrangements -- a sense of dissatisfaction held by millions. His masterwork was Das Kapital (1867).

No claim is made here that equal time or equal emphasis has been given to our three disputants. The Georgist point of view is frankly the focus of this trialogue. If Marxists and Smithians are made uneasy by this arrangement, let them write their own trialogues.

II

What Gives Me the Moral Right to Say, "This I Own?"

KARL MARX: Land reform, my friends, is the redistribution of farm land from those who own much to those who own little or none.

ADAM SMITH: I suppose I agree, but I thought you favor communes where the land would be owned by the entire community taken as a unit.

KM: Eventually that's what should be done. That's where we should end up.

HENRY GEORGE: Well, I disagree. Buying the land from its present owners and redistributing it to others would almost surely not result in the maximum farm output. Farms might be either too small for efficient production or too large, and the whole scheme would saddle the true economic producers (labor and capital) with a huge national debt if compensation were paid and, in any case, over a period of time landownership would grow increasingly equal, and we'd soon be back where we started.

AS: I see your point, but what would you suggest instead?

HG: Let a tax be levied on the value of the land owned by each landowner. This would be a tax not on acreage owned but on land value owned and it would apply not only in rural areas but in the high-priced urban areas as well.

KM: You would tax small farmers as much as large?

HG: No -- being small, they would own less land value and therefore pay less land value tax. I would remind you that in

the Communist Manifesto you urged the collection of all land rent for public purposes.

KM: I wrote many things. I can't be held to it all.

HG: I see, but consider: my land reform scheme, instead of costing the government money, would actually bring in revenue and would therefore enable taxes on labor and capital to be abolished. Wage-earners and capitalists would be benefitted. Not only that, but a land value tax would require land to be put to its most efficient use, for inefficient landowners would have to pay the land value tax that efficient competitors could pay, and hence they'd have to produce more efficiently or sell out to those who would. Land sites would soon gravitate into the hands of those who could use them most efficiently, thereby increasing food production in rural areas and economic output in urban areas, all the while generating a huge and growing revenue for the state.

AS: Yes, but would it be moral to tax away all the land-rent of landowners?

HG: It would be the essence of morality. Let us start at the beginning. Surely we can agree that we each own ourselves -- to say otherwise is to condone slavery. If I own myself, I own my labor and can freely exchange it in the marketplace for other people's labor.

AS: I agree to that. If I make a chair with my labor, then that chair is mine because in it is my labor. It embodies my labor. I therefore own it and can morally exchange it for the labor products of others.

HG: Well said. Or put it this way: if I own myself, I own

my labor and can therefore exchange it for the labor of others. I remember giving lectures for which others gave me money and with it I legitimately bought food, clothing, and shelter.

KM: So how does all this moral talk affect landownership?

HG: In this way: if I own my labor, I own all the fruits of my labor and here we have the one true basis of property. It is labor and labor alone which morally justifies the private ownership of anything. I own all that I can produce with my labor, and you likewise. I can't think of any other justification of ownership, and if perchance one existed, it would limit my right to my labor and that would be morally wrong.

KM: The land, the land! How does this relate to the land?

HG: Well, if only labor can justify the ownership of a thing, then how could the private ownership of untaxed land be morally justified? It is not the product of labor! Land was here before the first laborer. No one made land that he could claim it for his own.

If labor cannot justly confer the exclusive right of ownership of land, and yet we must use land to live and when we do, we essentially own it, then we all have an equal right of ownership to land. But this equal right can best be respected by allowing landowners to hold full title to their land while requiring the government to collect the full annual land rent in taxation in place of taxes on labor and capital. Believe me, I favor the private ownership of land -- as long as the landowner pays for the privilege according to the value of land he owns. In this way, everyone's equal right to land will be respected.

AS: You're a land socialist!

HG: And you, my friend, are a wage and capital-interest socialist because you would socialize -- nay communize -- wages and interest-income, not totally but to a large extent, with your infernal taxes on wages, income (no matter what the source), retail sales, value added, capital gains, and so forth. The government must be supported and you would force labor and capital to give up part of what is rightfully theirs in taxation to share with others -- to finance government services available to us all. That is real socialism. I would only socialize what rightfully belongs equally to us all.

AS: But what about the vested rights of the landowners!

HG: No one has a vested right to my labor, or yours. I would not penalize landowners for all their past robberies of labor and capital; I would just end as soon as possible their vested privilege by taxing it.

AS: But wherein have landowners robbed labor and capital?

HG: By collecting land rent from them, and offering no labor services in return. As I once wrote, "When non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied."

Look, the whole gross national product (GNP) has been produced by the efforts of labor and capital and they are entitled to the full fruits of their labor. Thus, they are entitled to the whole GNP; but, no, we force them to share a full quarter of that GNP with a third group in society -- the do-nothing landowners who are naught but interlopers and exploiters.

AS: But these landowners have in good faith purchased their land titles!

HG: But have they purchased just land titles? If you bought a stolen car, it isn't yours and the original owner can claim it for himself no matter how much money you paid. After all, what you purchased was a bogus moral title, which is what you purchased when you bought a piece of land.

AS: But I exchanged my hard-earned labor for that piece of land!

HG: No doubt, but you didn't exchange it for just a title. You could exchange your hard-earned labor for a slave but that wouldn't have justified ownership of that person.

AS: But people are not land. There is a vast difference between the two.

HG: There are differences, to be sure, but both are products of nature and neither are products of labor (bad pun aside) and that is the relevant factor. To repeat: if I own myself, I own my labor which I then can freely and morally exchange for the labor of others. I can exchange my shoe-making labor for your hat-making labor, for example, but I cannot morally buy untaxed land because the person I bought it from didn't make it, nor did that person buy it from anyone who did.

AS: But we must own land in order to have access to nature's opportunities and in order to have security of ownership in our buildings.

HG: Quite right. The ownership of land is a privilege which society must accord its citizens, but it is not a right, and therefore landowners should pay the value of their privilege

in the form of a tax to everyone else. If no one can have an exclusive right to untaxed land, then we all have an equal right to it and if we collect the annual rental value of land in taxation for the use of all, then everyone will be sharing equally in the benefits of land ownership.

And of equal importance, then we need not tax workers and capital investors on their own labor efforts. The government needn't rob workers and investors, which your government must do, Mr. Smith, if you don't tax land values.

AS: Yes, but what you are advocating is the confiscation of land.

HG: I am not. I would leave inviolate private land titles. I would only change the tax system.

AS: Look, if I sell a piece of land to Marx over here, I should be free to do so and it's no business of yours or some government official to interfere.

HG: What you're selling is something that I, or more precisely all the present earthlings, have an equal right to. If you sell stolen property, or slaves, the rest of society would be concerned.

KM: Look here, Smith, what are you complaining about? In your book The Wealth of Nations you plainly stated: "Ground rents are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents, are therefore, perhaps a species of revenue which can best bear to have a peculiar tax imposed upon them."

AS: I'm glad you read me so closely. But you know, it's only one of many things I've said.

KM: Bosh! Let me ask you this, George: I presume you oppose inheritance since wealth gained that way is not the product of labor.

HG: No, I don't oppose inheritance. Here is a watch I received as a gift from a close relative. He willingly gave it to me, I willingly accepted it; can I not rightfully claim ownership of it? And does it matter whether the watch -- or it could have been a factory -- was given to me after the death of my relative? An inheritance is merely a gift -- a post-mortem gift. Are you opposed to giving or sharing? A gift, after all, is like a sale -- only the price is zero.

KM: Now wait, let's talk about that factor. The owner could be sunning himself all day, or going up in balloons, whatever, he could be doing nothing and yet he gets an income. Even if he works, he gets an income in addition to what he gets for his work. That's not right!

HG: On the contrary, that's highly accurate. The factory is the product of labor -- of many people's labor, no doubt. They could morally sell the product of their labor, and he could morally buy it. And then he could rent out that factory, or sell it, or use it -- in any case he would be fully entitled to the interest income (or, if you prefer,profits) from that factory. There's nothing wrong with the ownership of manmade capital. There is something wrong with the ownership of land.

KM: But you can't separate land from the improvements on it! They're a unit and are sold as such.

HG: Not so, they're separable as to the value. Tax assessors and private appraisers are doing it all the time. True, land and buildings are often sold together, but not always -- often vacant sites are sold and they give us a good estimate of the value of similar sites under buildings.

Suppose a property with a new $100,000 building sells for $150,000, we can then conclude that the site is worth $50,000. There are other ways to separate land from building value. There is a vast literature on the subject. To be sure, we cannot always be certain exactly to the last penny what the value of every site is, especially in those areas where properties are not bought and sold frequently, but that doesn't mean we shouldn't tax land values at all. If we should tax land values, then we should do the best job possible even if perfection is often beyond our reach; at least we should try to tax land values as much as possible and labor and capital efforts as little as possible.

AS: Oh, you over-simplify: if I clear my land, drain and irrigate it, then those efforts become indistinguishable from the land value. They meld into the land.

HG: I fear you over-complicate. If I clear, drain, and irrigate a piece of land so that its value grows from $10,000 to $15,000, then I should be recompensed $5,000 and my $15,000 site should thereupon be taxed annually at the prevailing interest rate times $15,000. I will then have been repaid for the value of my labor and capital improvements (quite irrespective, incidentally, of whether that labor and those improvements cost

me $2,000 or $12,000; it is the value of my labor and improvements which is the relevant factor here and for which I should be recompensed).

AS: Well yes, but here is a farmer who raises a crop on his land; the value of that crop is due not only to the soil's natural fertility but to his labor and capital investments. How can you possibly separate these three components?

HG: If his neighbor produces $1,000 per acre more in crops with the same investment of labor and capital, then we can assume that his neighbor's land is worth $1,000 per acre more in land rent. And he should be taxed $1,000 more per acre per year, in which case both farmers would be paid equally for an equal amount of labor and capital value expended. Isn't there justice in that? Why should the neighbor have access to more natural opportunity -- greater soil fertility -- than the farmer you cite? And as with farmers, so with building owners of all sorts.

AS: It sounds very good in theory. . . .

HG: It can sound even better, for it is not true that when society provides roads, schools, hospitals, police, and fire protection, nearby jobs and shopping, etc., it makes various sites more valuable? Shouldn't it therefore collect these location values it creates in annual land value taxation before it taxes individuals on the basis of their labor, purchases, assets, whatever?

A landowner does nothing to increase the value of his land; he does nothing, period. It is only society, or its agent the government, which increases locational (land) value. If the producer should get the fruits of his labor, then society should

get the land-rent income it creates and should not leave it to private landowners as a windfall profit; for when it does, it necessitates the public sharing of privately produced wages and interest in order for the government to be supported.

KM: There is one thing you forget, Mr. George. Taxes are a charge for government services rendered; they are not robbery. For example, a gas tax is a user charge for road-building and maintenance, if the revenue is earmarked for those purposes. If local government builds a sewer system, shouldn't it charge the users according to their use?

HG: I see your point. Where the government can clearly charge users for specific services rendered, it should do so, otherwise users will wastefully use the free service. Such user charges could quite legitimately supplement the land value (or rent) tax as legitimate sources of government revenue.

Some land value taxers, I should tell you, would leave the current tax system alone but would have the government collect the land value tax in full. And then they would redistribute it equally to every citizen, on the grounds that we should all share equally in the opportunities of nature. But all land value taxers strongly oppose taxes on labor and capital which are not user charges. Such taxes are no more than legal raids on privately owned income and property.

KM: Very interesting, but you are raising a tempest in a teapot. Land was important in the feudal era, but today capital is dominant. You are spending all your reform efforts on a small part of the economy.

HG: So it might seem upon superficial investigation, but careful research shows that a land rent tax would collect fully 24 percent of the U.S. national income in taxation, and that is a conservative estimate (Incentive Taxation). The revenue from such a land rent tax would be fully four times that amount of net corporate profit after taxes! And the latter figure includes much land rent, and the rest of the profit was a product of individual effort while the land rent was not. Moreover, if the government confiscates net corporate profit, private investors will not provide much-needed capital investment any longer, and so the government will have to do it instead out of scarce tax revenues. Why do that?

KM: Well, the hour is growing late, even for us. I would only say that all this talk of morality is interesting but irrelevant. It is society that determines morality, and that's all there is to that.

HG: Not at all. As I once wrote, "There are those who say that the right of property, as all other rights, is derived from the state. But they do not really think this; for they are as ready as anyone else to say of any proposed state action that it is right or it is wrong, in which they assert some standard of action higher than the state." And that surely applies to you, Mr.Marx, as you were an assiduous critic of all the states or nations you ever lived in, would you not say?

KM: Yes, I was. On that point at least we can agree.

III

Equal Access to Nature: Our Birthright

(Our three discussants take their places amidst swirling ethereal fog for their second paranormal discourse).

HENRY GEORGE: There are still more arguments to be advanced showing why it is immoral for a private individual to retain rental or sale income from land ownership, or even benefit by exclusive free use.

KARL MARX: There you go again. Why talk about morality and immorality, anyway? People will do what their economic conditions program them to do. Moral views flow from economic and social conditions.

ADAM SMITH: That surely cannot be. People frequently commit acts of heroism at great risk to their lives without reference to their own economic and social welfare. One person swims out to sea in stormy weather to rescue another person; what, for money or praise? Religion, love, impulse, and patriotism are just a few of the many motives far more powerful than the material.

HG: Quite so. You, yourself, Mr. Marx, are an example of this: you sacrificed the very health, perhaps even the lives, of some of your dear children so that you could write books and articles in the British Museum. Surely you could have made a better living if economic motive were uppermost with you.

AS: And as with individuals, so with society. If individuals have free will, then so must society, which is the sum total of all individuals. Society has no separate existence

apart from the individuals who compose it. The whole does not exist separate from the parts.

KM: Free will, bosh! It is an illusion.

AS: On the contrary, the one thing I'm surest of is that I control my thoughts; now, for example, I am thinking of unicorns, now of tables and chairs, and I am giving evidence to you of my control over my thoughts by speaking them to you.

HG: And I control my actions, as when I say to myself, "Raise my hand," and then I do so. To be sure, these thoughts and actions of mine -- I say "mine" because I control them -- are limited by my mental and physical abilities, but within those limits I have free will.

AS: I agree. Certainly we are influenced by economic and social factors, but these factors are influences not determinants.

KM: All, all illusion!

AS: You may say so, but where is your evidence? If you are right, how is it that people of the same economic class or culture disagree on vital issues?

HG: How is it that revolutionary leaders most often come from your despised middle class, Mr. Marx, often even the upper class? For example, Lenin, Castro, Mao, Che Guevara, Allende, Trotsky, Engles, you?

AS: I see we agree on this, Mr. George, but when we apply moral principle to land ownership. . . .

HG: Then consider this line of reasoning. We should all have equal access to the resources of nature (EARN) -- to the opportunities afforded by nature. In order to live, we need

access to land to obtain our food, clothing, and shelter. Both sleeping and working require access to land. Veritably is man a land animal as much as is the rabbit in the field and the eagle in the air. "Take from a man all that belongs to land and you would have but a disembodied spirit. And as land is absolutely necessary to the life of man and as land is the source from which all wealth is drawn, the man who commands the land, on which and from which other men live, commands these men."

AS: Surely you exaggerate.

HG: Not at all. To the extent that he is allowed to extract rent from them, to that extent he extracts their labor and offers no labor of his own in return -- just a legal permission (land deed) to do so -- in which case he is enslaving them to a degree.

If we should all have equal access to God's gift to us all -- the land -- and if land ownership is necessary for that access, then we should all have equal landownership, but since that is impractical to achieve in a changing urban society, we should arrange the equivalent by having society collect the income from land in taxation and use the revenue for the good of all. That is easy enough to do and would relieve labor and capital from taxation.

KM: You mentioned God! How does He figure in this? I say God is dead.

AS: And God said Marx is dead.

HG: And I say that we cannot imagine that some people have more of a right to come into this world and live than do others, and so if we all have an equal right to live, and access to land

is required to live, and if ownership of land is required for access, then it follows that we should have equal ownership of land or, more practically, equal ownership of the income from land by taxation. Think about it.

When Moses struck a rock in the wilderness and water gushed forth, "What good would it have done if that rock had been private property and some Earl of Airlie had been there to say, `you cannot take a cupful until you pay me £25,000?'" And if he lowered his price to make a sale, would that have been just?

AS: Well, if the tax had been imposed from the beginning of civilization, that would have been good, but now, it's too late.

HG: Herbert Spencer, your follower, advanced that argument.

KM: Spencer! He and I are buried near each other in the same cemetery in London. We argue all the time.

HG: Well, he said, "Had we to deal with the parties who originally robbed the human race of its heritage, we might make short work of the matter." To which I replied: "Why not make short work of the matter anyhow? For this robbery is not like the robbery of a horse or a sum of money, that ceases with the act. It is a fresh and continuous robbery, that goes on every day and every hour. It is not from the produce of the past that rent is drawn; it is from the produce of the present. Every blow of the hammer, every stroke of the pick, every thrust of the shuttle, every throb of the steam engine, pay it tribute. It levies upon the earnings of the men who, deep under ground, risk their lives, and of those who, over white surges, hang to reeling masts; it claims the just reward of the capitalist and the fruits of the inventor's patient effort; it robs the shivering of

warmth; the hungry, of food; the sick, of medicine; the anxious, of peace. It debases, and imbrutes, and embitters. It makes lads who might be useful men, candidates for prisons and penitentiaries; it sends greed and all evil passions prowling through society as a hard winter drives the wolves to the abodes of men; it darkens faith in the human soul, and across the reflection of a just and merciful Creator draws the veil of a hard, and blind, and cruel fate!

"It is not merely a robbery in the past; it is a robbery in the present -- a robbery that deprives of their birthright the infants that are now coming into the world! Why should we hesitate about making short work of such a system? Because I was robbed yesterday, and the day before, and the day before that, is it any reason that I should suffer myself to be robbed today and tomorrow? any reason that I should conclude the robber has acquired a vested right to rob me?"

AS: Ah yes, but the first owner who happened on a piece of land -- surely he had a right to occupy it and own it, and thus he had the right to pass it on to the present generation.

HG: Not at all. I found a watch once on the street. I could not find the owner who lost it, and so I legitimately came to own it. But the first occupier of a piece of land didn't find anything that was lost. The world wasn't lost and he only found a piece of it -- a piece of what morally belonged equally to all living people, for the reasons I have already given. He surely had the right to occupy and use that land; in effect he owned it. There was no alternative. But as soon as others joined him and the land began to have value, then that value belonged equally to

all society; let him retain his ownership, provided he paid others for the privilege.

I have no quarrel with land ownership, as I have said; only with land-rent ownership.

And, in any case, there is hardly a piece of land on this globe which the present owner can trace back to an original owner.

KM: In fact, by your own moral standards, Mr. Smith, the origin of all land values is in force and fraud, therefore, is invalid. You can trace the land titles in England back to 1066, but where did the Norman conquerors get their land titles from?

HG: By taking them by brute force from the Saxons, that's how. And the Saxons took them from the Angles and Jutes, and they, from the tribes before them, until we come to the ancient Celts, who robbed the Neanderthals or who knows who. Thus all land titles are morally clouded.

AS: I see your point, but what are you complaining about? Don't we all equally have a right to buy land?

HG: Access to nature should be equal. No one should have to buy the right. Some shouldn't be charging others for the right to live. We can buy stock in a monopoly corporation, but that doesn't justify a monopoly, nor (once again) does the purchase of land justify its ownership.

KM: And one more thing, Smith. Your beloved Bible says -- in Leviticus 25: 10-16, and 23 -- that in the fiftieth year the trumpets shall sound and all land should be returned to the original owner (or his heirs) who might have lost ownership of the land due to nonpayment of debt or for some other reason.

Since the land was originally divided up equally among all the tribes based on population, then this was a rough way to divide up the land equally among all families. You should read that book, Smith.

AS: A gratuitous remark.

HG: Let me continue. If, for practical reasons, we cannot divide up the land equally among us all, then at least we can do the equivalent thing by having the government collect the rent of land for the use of all.

KM: Well, George, however attractive your land value tax may be in your theoretical way, it has little practical significance because neither you nor your followers have been able to get it adopted. It remains a dream, an unachievable panacea.

HG: The facts don't bear you out. Most localities in New Zealand, Australia, South Africa, and Denmark are taxing land values more than buildings, and in most cases only land values. Even many agricultural districts are doing this. And then there are other places in the world which employ the idea, such as in Kenya.

Even in the United States it is being done. Arden, Delaware, and Fairhope, Alabama have long been employing a variant of the idea, and about ten cities in Pennsylvania are taxing land values at a higher percentage tax rate than they are taxing building assessments. Washington, Pennsylvania for example, is taxing land assessments at 6.056 percent and building assessments at only 1.68 percent. So the idea can be gradually introduced. I should hope that eventually these cities -- and

soon there will be others -- will exempt buildings altogether and tax only land values, and then they could proceed to replace other taxes (on wages, retail sales, etc.) with a higher percentage tax rate on land assessments. So the thing is doable.

KM: But it will never sell unless you force it on the people, and your democratic scruples will prevent that.

HG: Why won't it "sell"? Where it has been in force for any length of time, it has been followed by a spurt in new construction (write for Incentive Taxation for the relevant studies).

KM: Perhaps it was coincidence?

HG: Why coincidence? After all, if we abolish taxes on buildings, won't we make them more profitable to operate and construct? And if we increase the tax rate on land values, don't we encourage landowners to use their sites more efficiently (within zoning limits, if you wish)? All that tax outgo would require income from an efficient improvement. Here is a tax which encourages economic growth; it taxes land into use. We should not be surprised to see that spurt in new construction.

KM: Well yes, but that's very abstract. That argument has little popular appeal.

HG: But if a little shift to a land value tax works so well in isolated localities, then what could be expected if those localities greatly increased their tax rate on land values, and if all cities did likewise? What a spur to the economy then!

AS: Perhaps, but we agreed to restrict our discussion to only the ethical aspects of landownership.

HG: True, but the economic aspect spills over into the ethical. If the economy blooms because we tax land rent instead of wages and income from capital, if it blooms because land sites must be used efficiently, then fewer people and maybe none will be condemned to involuntary poverty and unemployment. Surely there is an ethical dimension to that!

AS: And surely there will always be people who are too sick, too old, or too young to work and society should take care of them, no matter how bountiful the economy may be.

HG: Oh, quite so. Society should tap the Land Rent Fund for that purpose, among others. In a recent year, that fund in the United States was almost four times greater than what the nation spent on all welfare programs (Incentive Taxation study). We could abolish poverty without taxing labor or capital!

KM: Why not abolish poverty by levying an income tax with highly progressive soak-the-rich rates (although as you know I favor even more radical proposals)? That would raise tremendous sums of money from the rich which could be distributed to the poor. Such a tax would be based on the ability-to-pay principle.

HG: No, no, not at all. In the first place, ability-to-pay is in no way a moral principle. What people make in the free market is their property and no other's, no matter how rich they may be. Secondly, a truly progressive-rate income tax would so seriously inhibit private initiative and incentive as to impoverish the entire economy, and the poor would especially suffer.

Thirdly, in practice a progressive-rate income tax redistributes very little income from the extremely rich to the extremely poor. For instance, if the U.S. government confiscated all the after-tax income of those households making more than $75,000, it would only collect enough to pay a week's expenses (W.R. Grace ad, U.S. News & World Report, 12/31/84-1/7/85, p. 17).

And lastly, a land value tax is more in accord with the ability-to-pay "principle" than is even the income tax. Everyone acknowledges that wealth, and especially land value, is much more unequally distributed than is income. Almost everyone has income. Not everyone owns land, and certainly few own the really valuable land. Hence, a tax on land values would be much more in accord with ability-to-pay than would any non-confiscatory income tax. Of course, a land value tax would not reach the non-landowning rich, but that's fine, right?

KM: No, it isn't. Even in life, George, we criticized each other. You called me a muddle-headed thinker confused by an ambiguous and vicious terminology.

HG: You, sir, called my tax proposal "the capitalist's last ditch." I think I can agree with that.

AS: Then gentlemen, let us conclude this session on that note of agreement (even if somewhat bogus).

IV

The One and Only Provable Moral Standard

(The three discussants meet for their final attempt at ethical clarification.)

KARL MARX: Your presentation, Mr. George, displays much word-mongering dexterity, but contains one vital flaw: you bypass altogether the basic question of what is the true basis of morality. Your alleged proof, in other words, doesn't start at the beginning. You assume that "each person owns himself" and then proceed from there, but others, including myself, assume that society owns each individual. How could you prove that each person owns himself?

HENRY GEORGE: I see you want me to prove what I thought was self-evident. Well, I'll attempt it. The natural universe, of which we are a part, is a vast, perfectly contrived mechanism subdivided into many lesser mechanical systems ultimately encompassing each and every individual. In fact, we ourselves are pervaded by nature. We must attune ourselves in both thought and action with nature or else we fail in what we do. This is the natural law; it is rooted in the very nature of things and is articulated in the framework of the universe. If society trangresses the natural law, it would subvert its own foundations. Conformity to this natural law is a duty of reason, and from it we derive our natural rights.

KM: What slippery nonsense! You derive your "oughts" from an "is." You say we live in nature -- who could doubt it -- but why should we do what would happen naturally, without human

intervention? I would rather follow the laws governing the development of society instead.

ADAM SMITH: Let me join George on this. When we follow natural laws or tendencies, we succeed. Were we to disregard the law of gravity, for example, we might foolishly walk off a cliff and perish.

To discover the natural law as it pertains to society, we have only to remove all human interference. Take a person who lives alone in the state of nature. He or she has full possession of their life, liberty, and property. They have natural rights to them. But life alone in the wilderness is chancy and people are gregarious, so our pioneering friend wishes to join with others, the better to protect the rights to life, liberty, and property. Isolated individuals thus bring their rights with them into society, agreeing to a social contract whereby society and its agent, the government, have the duty to protect the life, liberty, and property rights of the individual.

KM: Very fanciful, indeed! I don't remember signing any social contract, and no one can sign for me. And since rights are moral claims which others should respect, an individual living alone in nature has no rights at all, since there is no one else to respect them, or even not to respect them.

Besides, nature tells us that the strong survive, the weak disappear. It's a jungle out there and species live by killing other species. Nature is red in tooth and claw, and if it offers us any moral lessons at all, it is that superior force and superior force alone prevails. Away with your babble about

rights and let us remove all reactionaries who slow down the natural -- uh, I mean historical -- development of society.

AS: It may be the law of the jungle out there for animals, but not for humans. For us, as individuals or as societies, we succeed only when we follow the laws of nature.

KM: Succeed? We could conquer and exploit weaker societies, thereby enriching ourselves, but would that be moral? Some of the most successful people in society are dishonest businesspeople, thieves, and exploiters. Immorality often achieves success.

Besides, we often ought to improve on nature. We wear clothes because nature is often cold, or too hot. Houses are better to live in than caves. And what's so moral or benign about earthquakes or drought? We take medicines to ward off natural infirmities and use contraceptives when reason requires it. There are times when nature is to be contravened, not obeyed. No, you'll have to find another basis for your bourgeois morality.

HG: Let me try to resolve this impasse with a new line of argument.* I think we can all agree to this statement:

(a) We should treat things as they are. For example, we should treat people as they are -- accuracy requires it, and it would be inconsistent to treat them as something they are not (as

*Author's Note: At this point, the reader should be advised that I will be putting forth an argument for the equal rights standard of morality which is not to be found in George's writings. Let us see if we can reach his moral conclusion by another line of reasoning.

an elephant, say), since then our actions would contradict our beliefs. This statement therefore meets the two criteria of truth: accuracy and consistency.

KM: Not so fast, George. How do we know what "things" are really like? We all differ as to our perceptions and how do we know who is correct?

HG: An interesting question, but irrelevant to whether we should treat things as they are. Either we should try to treat things as they are, or we shouldn't, quite apart from whether or not our perceptions are accurate. For example, two doctors may be disputing as to whether a patient has a liver or pancreas problem but they both will agree that they should try to treat the patient as he or she is. That they disagree about the nature of that condition -- that's another matter altogether.

KM: But their differing perceptions will result in different treatments.

HG: Quite so, but what we are searching for is a provable standard for human behavior; the application of this standard depends on particular and changing circumstances. We are not discussing how to apply the principle of treating things as they are -- just whether it is a valid principle in the first place.

AS: But I shouldn't always treat things as they are, as when I lie to a potential murderer about the whereabouts of his or her intended victim.

HG: Agreed. Since the victim has a right to life, as I intend to show, you were right to lie in such a circumstance. The full statement of this basic moral statement then would be:

We should try to treat things as they are, as an end in itself. Remember, ethical philosophy deals only with ends; once we find provable ends or standards, then we apply them in the real world of differing circumstances. The qualifier **as an end in itself** should be understood to be appended to all the other moral statements I will be making.

AS: Well, go ahead. Let's see what it all comes to.

HG: Fine. Let me rephrase statement (a) into a more useful form:

(b) We should be free: limited only by the duty to treat things as they are. If we should treat things as they are, then we should be free to do so, and the only limitation on our freedom should be to treat things as they are. I can't think of any other limitation on our freedom, and if there were one it would interfere with our duty to treat things as they are.

KM: Yes, yes, but what does all this have to do with equal rights?

HG: It brings us to the next step in our proof:

(c) In dealing with people, we have the right to be free: limited only by the duty to treat them as they are, but since they have the right to be free (we all do -- see (b) above), then we should treat them as having that right. Or to put more simply, **we have the right to be free: limited only by the equal rights of others.**

AS: Well, at least you're proving what the advocates of natural law have always maintained.

HG: Absolutely. Only the line of reasoning is different. But to continue:

(d) **We have the right to life** if we have the right to liberty, since our life is the sum of all our liberties. Deny a person's right to life and we deny the personal right to be free.

KM: But such "rights" are often denied in the real world.

AS: No doubt, but they shouldn't be and we're talking about "shoulds" here.

HG: Now on to the the next step:

(e) **We have the right to property**, since the right to labor follows the right to be free (we should be free to labor), and we can exchange our labor for the labor of others in a free market. So, once again, I can morally exchange my hat-making labor for your shoe-making labor, which necessarily means that I can morally own the shoes you have produced and you can morally own the hats I made.

AS: I have long said that. My labor is embodied in the things I have made.

HG: But we must go one step further:

(f) Untaxed land should not be privately owned since, if just titles of ownership arise only from labor, then only the products of labor can rightfully be owned. This naturally excludes land, unless its value is fully taxed.

KM: Well now, wait a moment. You're too easily satisfied. Where do these "equal rights" come from? At least when you spoke of natural rights, we could understand from where they descended upon us -- from nature, supposedly. But these "equal rights"?

HG: They come from reason -- from the correct processes of thought. The "ought" comes from the "thought," from correct thinking. There is a basic rule of correct thinking: we should

be consistent and accurate (accuracy is consistency between the meaning of a statement and objective reality). That leads ineluctably to treating things as they are, which activates all the succeeding logical steps until we arrive at equal rights to life, liberty, and property.

AS: And where does emotion fit into all this?

HG: For the proof of moral principle, not at all. Moral philosophy is a matter of reason only. We want to know what choices people make when they act rationally. When we seek to apply moral principles in the real world, then we need emotion. We need people with passion, passion channeled by reason, yet strong enough to convert right thought into right action.

There is passion enough in the world today, but it seems to be displayed disproportionately by those who would deny to the poor their equal access to the resources of nature and by others who seek to deny political liberty to their own fellow human beings in the name of order or enforced iron-maiden equality. Meanwhile, the professed standard-bearers of democracy often seem mired in a mind-numbing relativism, incapable of decisive action.

Let us hope, at least, that our discussions will improve moral thought and above all, action.

If we should tax land values, and not to do so is to exploit labor and capital, then we should start doing it now. But the reader may wonder how to proceed.

The focus of reform efforts should be the local property tax. It assesses land and buildings at a supposedly uniform percentage of market value and then levies an annual tax rate (percentage) against those assessed values. The reform needed is to gradually reduce the tax on buildings and increase it on land. This can be done in any of three ways:

(1) Reduce the tax rate on buildings by about 20 percent in the first year and make up the lost revenue by an increase in the land tax rate. The process could be continued in ensuing years until eventually the entire property tax would fall on land values.

(2) Building assessments could be exempted by about 20 percent in the first year (more in ensuing years) with the lost revenue being re-couped by an increase in the property tax rate.

(3) Assess buildings at a lower percentage to market value (perhaps 20 percent) than land is assessed to its market value. Continue the process in ensuing years.

Which of these approaches should be used? It depends on the legal and political situation in your state (or nation). Many Pennsylvania cities are using (1) and some are using (2), while in Illinois (3) is being considered. In some states, the legislature must pass a local option law; while in others a state

constitutional amendment is needed. For information about your state, ask your state representative.

Of course, once the property tax on buildings has been eliminated, then other taxes must go. They must be replaced by an increased tax rate on land values. The whole process could take twenty years or more.

For details on how to do it, write Incentive Taxation (a publication), 580 N. Sixth St., Indiana, PA 15701.

Note that the prime prospects for action are local (and often state) officials. They have the power to act. They must be approached (for how best to do it, write Incentive Taxation). Although popular support for the proposal would of course be very helpful, it is not strictly necessary. The proposal could be sold as a technical improvement of the local property tax. Local officials are all the time introducing technical innovations (such as a new type of fire truck or bookkeeping system) without involving the voters.

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